

ANNOUNCEMENT

Quarterly Activities Report December 2011

30 January 2012: Brisbane, Australia – Citigold Corporation Limited (“Citigold” or “Company”) (ASX:CTO, FSE:CHP) is pleased to report progress for the quarter ended 31 December 2011 on its operations at the Charters Towers Gold Project in Queensland.

The highlights for the Quarter include:

- **2,530 ounces gold produced, a 12% increase on the prior quarter**
- **Gold sold at average price of \$1,681 per ounce**
- **Lower cash operating costs of \$533 per ounce, down from \$690 in the previous quarter**
- **Planning for expansion of the Central and Imperial mines continue**
- **\$50 million funding agreement executed in January with Reignwood International of China**



MINE PRODUCTION AND DEVELOPMENT

Gold produced for this quarter totalled 2,530 ounces up from 2,259 ounces in the previous quarter, a 12% increase on the prior quarter. The average gold sale price received was A\$1,681 per ounce up from A\$1,664. The average cash cost per ounce was A\$533 down from A\$690 the previous quarter.

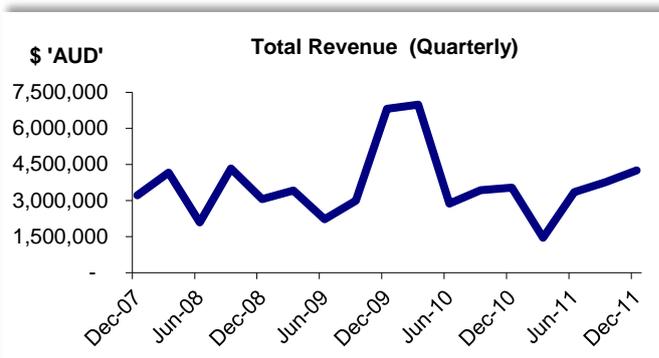
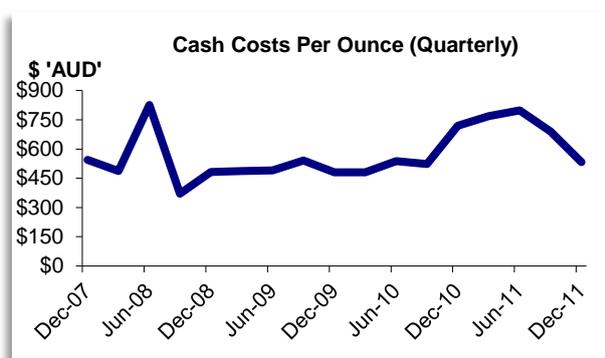
Average gold recovery from the ore feed to the process plant remains high at above 95%. Ore feed for the process plant continues to come from the underground operation as well as low grade stockpiles.

Underground development during the Quarter was focused on the Imperial area’s Sons of Freedom (SOF) cross reef. Production from stoping parts of the SOF cross reef that were previously developed has resulted in this slight rise in production.

In ore development was undertaken on the 873 level as well as the 905 and South Inclines. There was a total of 123 metres of in ore level development during Quarter. Stopping was from the 870 to 885 stope blocks.

Mining in the SOF reef is relatively shallow currently at about 100 metres from surface.

Gold Production



Process Plant



At the end of the quarter planned maintenance work commenced over the holiday season. Gold ore had been processed through the plant so production was not disrupted. Maintenance works included the tailings dam and components of the process plant.

The main task was the tailings dam expansion. This was the first expansion since the dam was constructed. The current dam stage 1 had reached its capacity limit and this work is a routine matter to maintain the 1 in a 100 year rainfall freeboard. The overall height will be increased by 2 metres.



Gold extraction from the plant continued through the stripping of carbon and gold in circuit while maintenance works were ongoing. During the earthworks, to lift the wall height, there is no processing of ore. Underground mining continues and ore is being stockpiled ready for processing. This will not impact on gold production given the processing plant has substantial spare capacity.

With the onset of the wet season, from an environmental point of view, it is pleasing to note that based on water samples taken during the expansion process the water meets authorised release limits and therefore presents no environmental risk.

EXPLORATION

Work continued on interpretation of previous drilling and geotechnical works, as well as mapping, rock chip and sediment sampling on the broader regional areas under Exploration Permits.

The geophysics program continued to advance during the quarter with detailed ground survey data collection and modelling work advancing.

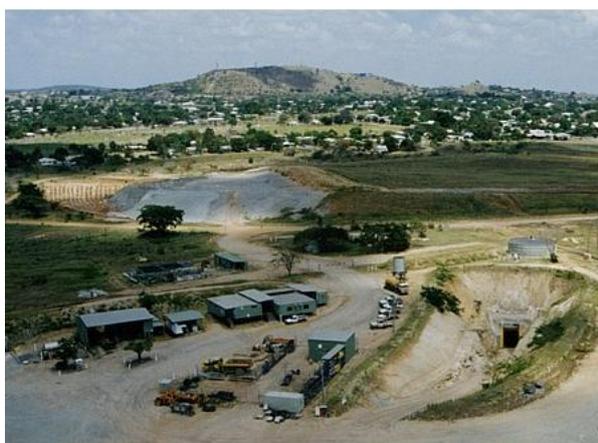
This geophysics program seeks to limit the required drilling to an efficient focus solely on the high grade areas for conversion of resources into mining reserves. The aim is to create a system that supports Citigold's transformation into a large-scale and long term gold producer.



The Charters Towers reefs are physically very different from the surrounding host rock (fine particle granite) and the high grade gold areas within the reef structures contain large amounts of sulphides (iron and lead). The sulphides are a 'proxy' for the gold and silver. The geophysics techniques, which are conducted from both surface and the underground, have shown that they can clearly map the reef structures. Current work aims to refine the sulphide mapping techniques.

Citigold's quest to use specialist geophysics to "see between the drill holes" is gaining momentum and clarity via modelling is emerging. The next few months will continue to advance this highly technical and specialist work.

EXPANSION OF GOLD PRODUCTION



With a funding agreement signed in January that provides the necessary capital required to commence significant expansion of gold production, the management team is focused on finalising the refinements that will enable production to ramp up as efficiently as possible.

Over the last few years Citigold has invested considerable time and resources to understand the Charters Towers reefs and apply the most effective mining method. Maintaining a low cost focus has

sometimes meant that mining has taken longer than the company would have preferred. However, the valuable knowledge gained at Imperial, and originally through

the earlier Central underground exploration, now gives the company sufficient understanding and knowledge to give us the platform to ramp up production.

Engineering design for the extension of the Central underground services decline is being accelerated and contractor inquiries for this work have commenced.

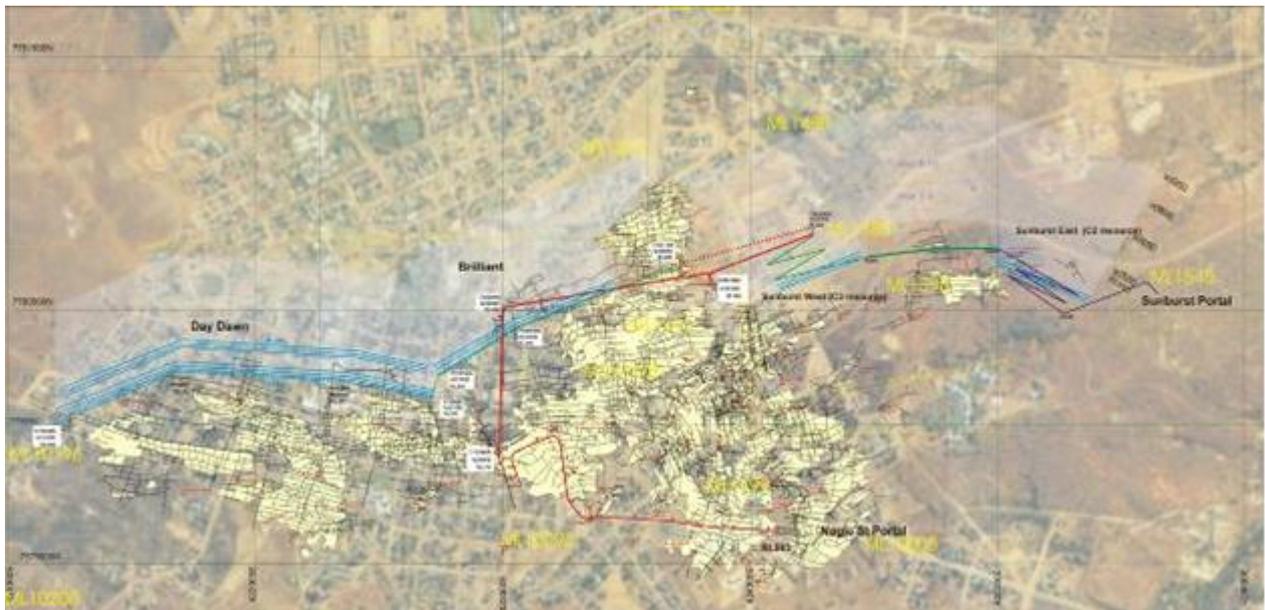
The Imperial mine is located 5 kilometres southeast of Central mine. It comprises the operating mine and accesses a number of adjacent reefs including the Warrior, SOF, and other reefs. These can be mined in the future including, but not limited to, the Imperial, Silent Friend, Hidden Secret and Perfect Cure lines of lode.

The Imperial mining area is one access to the overall Charters Towers 10 million ounce JORC compliant gold deposit. The reefs have further potential. The Inferred Mineral Resource for the Imperial area is 5.8 million tonnes at 14 grams per tonne gold containing 2.5 million ounces of gold.

The Central mining area is already an established mine site (see picture previous page). Citigold undertook the initial exploration and trial mining at the Central mining area in the 1990's as a part of the permitting process and the granting of the mining leases and environmental permits that are in place today. Full control of the goldfield was achieved in 2004.

The second planned access to the overall Charters Towers deposit is the Central mining area. This represents about 4.5 million ounces of the gold resource at the same grade.

Citigold's mine plan for the design and development work has been undertaken. Central includes several major reefs that will form the basis of the "super mine" where near four kilometres of reef strike line will be developed.



The above image illustrates the planned Central mining area in blue. The 1,000 metre grid lines show the reef length is over 4 kilometres providing a large mining area suitable for the targeted gold production.

Planning for the re-commissioning of the Central mining area is progressing with a dedicated team of key personnel focused on developing a plan for a major capital works program which will lead to a significant increase in production.

EXPLORATION JOINT VENTURE

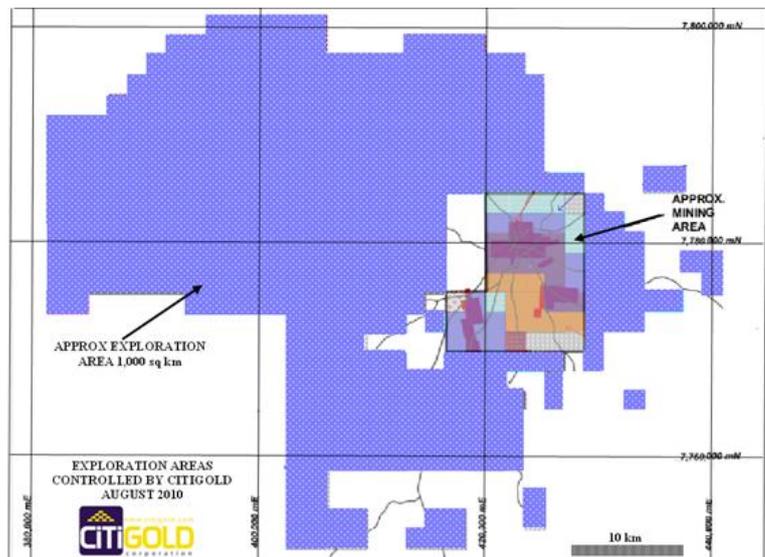
Under the exploration joint venture farm-in agreement Anhui Geology and Mining Investment Co. Ltd (Anhui), is to invest A\$30 million in exploration work over 5 years to earn a 50% interest in Citigold's Charters Towers exploration tenure. The Mining Area that contains Citigold's defined gold resources* is excluded from the Joint Venture.

The exploration tenure, covering an area of over 1,200 square kilometres all within a 50 kilometre radius of Charters Towers Post Office, includes granted and applications for mineral Exploration Permits.

The Joint Venture surrounds, and excludes, the Mining Area of 148 square kilometres that contains Citigold's existing 10 million ounce gold resource* and the current and proposed mining operations..

During the quarter, Anhui completed their initial geological assessment and provided a report to Citigold for review. This report highlights two key areas of interest. Once the details of the report have been agreed by both parties, work will commence on designing an exploration program and testing of the assumptions through exploration techniques.

The joint venture allows Citigold to continue to focus its efforts on developing and expanding gold production at the core goldfield Mining Area.



HEALTH AND SAFETY

There were no Lost Time Injuries during the quarter.

CORPORATE UPDATE

Financial Highlights

Due to the reduction in production costs and strong cash receipts from gold sales of \$5.343 million this quarter, the net operating cash flow was positive by over \$70,000. This is a strong result given the low rate of production and shows the potential the deposit has to generate large positive cash flows as production ramps up.

The Company continued to repay down its equipment leases, these lease repayments make up the majority of borrowings being repaid. During the Quarter the Company also received a \$1 million working capital unsecured gold price aligned loan from the Australian Special Opportunity Fund, LP which is managed by The Lind Partners, LLC. The interest rate on the loan is based on a discount to the gold price and the term is 6 months which can be extended by mutual agreement. The positive net cash from operations and the small financing together ensured the cash at the end of the Quarter increased to almost \$1.5 million, up from \$900,000 in the prior quarter.

Change of Address

In mid December 2011 Citigold relocated its corporate head office and registered address to:

Citigold Corporation Limited
Level 13, 500 Queen Street
Brisbane QLD 4000, Australia

The telephone, facsimile and email remain unchanged.

CEO Presentation

During December Citigold released an updated presentation. It can be viewed on the Company's website www.citigold.com.

GATEWAY MINING

Citigold currently has a 36% shareholding in Gateway Mining Limited (Gateway) for the purposes of exposure to exploration opportunities outside of Charters Towers, where Citigold's efforts are focused.

Gateway holds a substantial portfolio of projects including Gidgee in Western Australia, Cowra in New South Wales and within the Mt Isa and Hodgkinson Basin regions of Queensland.

Gateway's short term priority remains the proving up of a gold resource at Gidgee where drilling has intersected significant gold mineralisation at Montague.

For further information on Gateway and its exploration projects see their web site www.gatewaymining.com.au.

ANNUAL GENERAL MEETING

The annual general meeting of the Company was held this year in Brisbane on 28 November 2011.

All resolutions were passed on a strong show of hands in favour. Although proxies were not required, they similarly strongly supported the resolutions from 84% to 97% in favour.

The annual general meeting saw the departure of Mr Weng and Mr Panchariya as Non Executive Directors, thus reducing the Board to 5 members. We thank them for their valuable contribution.

We thank all shareholders for their continued support and will work diligently to further progress the growth of the business in 2012.

EXECUTION of \$50 million FUNDING AGREEMENT

Citigold is pleased to report that in January, it has reached agreement with Reignwood International Investment (Group) Company Limited ("Reignwood") to invest \$50 million into Citigold in two tranches. This deal will provide the development capital required to commence serious expansion of gold production towards the goal of 320,000 ounces of gold from the Company's Charters Towers mines.

Half of the investment, a 19.9 per cent stake in the Company, will be a placement of 274 million fully paid shares at 9 cents a share, a 22 per cent premium based on a 30-day volume weighted average price, reflecting the group's bullish stance on the project.

Post placement the group will have the right to nominate three directors to make up half the Citigold board. If the offer is approved by shareholders, Citigold will also issue Reignwood a three-year convertible note worth \$25m with annual interest rate of 8 per cent and convertible at 12.45 cents a share any time up to its maturity. Once the note is issued another Reignwood representative will be invited to join the board.

Full details of this transaction are set out in a statement the company made to the Australian Securities Exchange on 23 January 2011. Funding will be used primarily to expand production at the Company's Charters Towers mines including the Imperial and Central mining areas resulting in a significant increase in production.

For further information contact:

Mark Lynch
Managing Director/CEO

Matthew Martin
Company Secretary

*** for full details see Report on the Inferred Mineral Resources www.citigold.com click Mining >Technical Reports >Mineral Resources**

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.*

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. He has the relevant experience in relation to the mineralisation being reported on to qualify as a Competent Person as defined in the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Identified 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.*

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.17/12/10

Name of entity

CITIGOLD CORPORATION LIMITED

ABN

30 060 397 177

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	5,343	9,788
1.2 Payments for		
(a) exploration and evaluation	(500)	(1,160)
(b) development	(2,047)	(3,577)
(c) production	(1,323)	(2849)
(d) administration	(1,215)	(2062)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(185)	(331)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	73	(191)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(2)	(54)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(2)	(54)
1.13 Total operating and investing cash flows (carried forward)	71	(245)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	71	(245)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,000	1,529
1.17	Repayment of borrowings	(532)	(532)
1.18	Dividends paid	-	-
1.19	Other - (Conversion of Options)	-	-
	- (Issue of Convertible Notes)	-	-
	- (Costs of financing activities)	-	-
	Net financing cash flows	468	997
	Net increase (decrease) in cash held	539	752
1.20	Cash at beginning of quarter/year to date	933	720
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,472	1,472

Payments to directors of the entity and associates of the directors

Payments to 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	206
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments comprise executive salaries, consultancy fees and superannuation guarantee charge thereon.

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	700
4.2 Development	1,500
4.3 Production	1,500
4.4 Administration	800
Total	4,500

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	1,472	933
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Held by Third Parties) Term Deposit	-	-
Total: cash at end of quarter (item 1.22)	1,472	933

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining 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 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	1,105,078,301	1,105,078,301	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	4,090,000	Nil	30 cents	10 December 2012
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <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:

(Company Secretary)

Date: 30 January 2012

Print name: Matthew Martin

Additional Information

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 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, 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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