

ANNOUNCEMENT

Quarterly Activities Report June 2012

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

During the quarter the mine continued to produce gold extracting 2,187 ounces of gold at a cash operating cost of \$541 per ounce on revenue of A\$1,599 per ounce; updated Reserves and Resources report released; capital works expansion funding progressed with the completion of a \$10 million placement with LionGold.

SUMMARY

The quarter saw the process plant back in operation, with gold production back over 2,000 ounces for the quarter.

The Technical Report *Mineral Resources and Reserves 2012* was released during the quarter almost doubling Reserves to 620,000 ounces (2,500,000 tonnes at 7.7 grams per tonne gold). Inferred Mineral Resources increased to 11 million ounces (25,000,000 tonnes at 14 g/t gold). In addition silver Resources were reported for the first time.

The Company signed a funding deal with LionGold Corp from Singapore during the quarter that will see \$10 million cash raised through the placement of 125 million shares. LionGold is an emerging, diversified gold explorer and producer, listed on the Singapore Stock Exchange.

A new 1,724 hectare (17.24 square kilometres) Mineral Development Licence MDL 252 (MDL) was granted to the Company ensuring that essentially all of the Company’s Mineral Resources and Ore Reserves are now held under granted Mining Leases and Mineral Development Licences.

Site management was also strengthened during the Quarter with the appointment of Dr Brian White to the statutory position of Site Senior Executive (SSE). The SSE position is the most senior person in charge of day to day mining operations. This appointment gives Dr White, who is an Executive Director of Citigold, more direct management control of the Charters Towers gold operations

The increased Ore Reserves and Mineral Resources, capital raising, improved tenure and site management are an important stepping stone in realising the substantial value contained within the rich asset that is the Charters Towers goldfield.

RESERVES AND RESOURCES INCREASE

During the quarter the Company released the technical report *Mineral Resources and Reserves 2012* (Technical Report) for the Charters Towers Gold Project (the Project).



The final product – unrefined gold doré bars at the Company’s Charters Towers project containing mainly gold and silver

The independent Technical Report was prepared in accordance with the *Joint Ore Reserves Committee Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004* ('the JORC Code'). The report also follows the format of the Canadian *Form 43-101 F1 Technical Report* for convenience, and for overseas investors familiar with the Canadian format.

The Technical Report, prepared by consultants Pathfinder Exploration, is a rigorous review and evaluation of the technical aspects of the Project's geological gold and silver deposit.

The findings replace previously released gold reports with the gold and silver Mineral Resources and Reserves for the Charters Towers project. This is the first time the silver Mineral Resources of the project have been quantified.

The gold Ore Reserves have increased by nearly 90% and the Mineral Resources for the Project have increased by 10%.

The **Probable Ore Reserves** are outlined below:-

- ✓ **620,000 ounces (19,000 kilograms) of gold** (2,500,000 tonnes at 7.7 grams per tonne gold), and
- ✓ **410,000 ounces (13,000 kilograms) of silver** (2,500,000 tonnes at 5.1 grams per tonne silver).

The **Inferred Mineral Resources** are outlined below:-

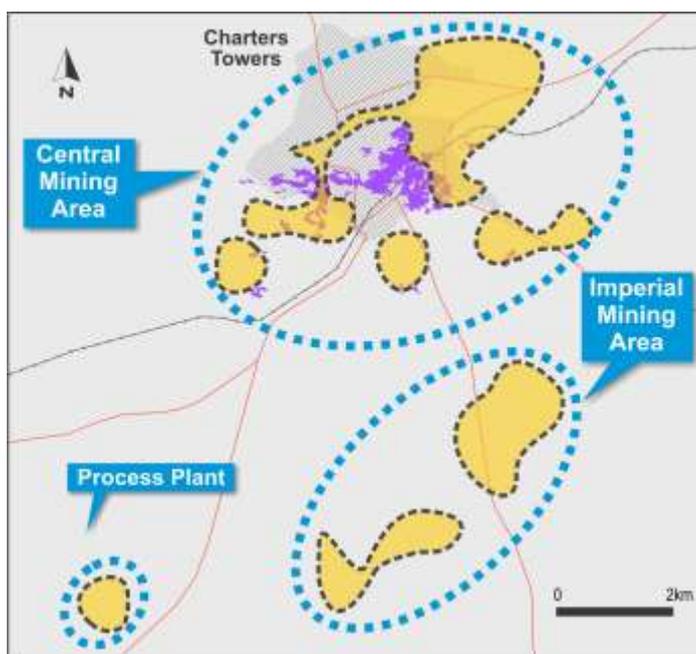
- ✓ **11 million ounces of gold** (25 million tonnes at 14 grams per tonne gold)
- ✓ **7 million ounces of silver** (25 million tonnes at 9 grams per tonne silver)

The Technical Report determined the breakeven grade for mining at a favourable 2.0 grams per tonne Au at a gold revenue price of US\$1500 per ounce at an exchange rate of A\$1=US\$0.95. The reserve grade is 7.7 g/t, a good margin. (Technical Report page 76)

The Report noted that gold production by Citigold since the re-commencement of modern production is approximately 100,000 ounces.

The consultant Pathfinder referred to a high geological certainty of the reported ounces stating, in accordance with JORC reporting requirements, that the confidence level is ± 10 to 15% for the contained ounces in the Probable Ore Reserve and the confidence level is $\pm 30\%$ for the contained ounces in the Inferred Mineral Resource.

The Central area contains 6 million ounces of gold resources and the Southern area (predominately the Imperial) contains 5 million ounces.



Location diagram of the 2012 Inferred Mineral Resources of 25 million tonnes at 14 grams per tonne gold containing 11 million ounces of gold and 3.2 million tonnes at 9 grams per tonne silver containing 7 million ounces of silver.

AREA	TONNES	GRADE grams per tonne Gold	GRADE grams per tonne Silver	OUNCES Gold	OUNCES Silver
CENTRAL	14 million	14	9	6 million	3 million
SOUTHERN	11 million	14	9	5 million	4 million
TOTAL	25 million	14	9	11 million	7 million

Total gold and silver Inferred Mineral Resource, combining both the Central and Southern areas, is 11 million ounces of gold and 7 million ounces of silver.

The Mineral Resources are all above 1200 metres depth.

For full details see Technical Report Mineral Resources and Reserves 2012 at www.citigold.com click Mining > Technical Reports > Mineral Resources and Reserves 2012

PLACEMENT TO STRATEGIC INVESTOR

The placement transaction of 125 million fully paid ordinary shares issued at 8 cents per share to raise \$10 million will provide LionGold with a 10% stake in Citigold, making them Citigold's largest shareholder.

The placement represented a 33% premium to Citigold's last traded share price prior to the announcement on 27 June 2012. This was a solid endorsement of the underlying upside value LionGold sees in Citigold's Charters Towers project.

The funds raised will be used for working capital and to advance the development of Citigold's JORC compliant 11 million ounce Charters Towers gold deposit.

Citigold's Chairman, Mr John Foley commented: *"This is a pleasing development for Citigold and this investment confirms the underlying value and future potential of the Charters Towers Project."*

"We are encouraged by the relationship we have forged with LionGold. They bring significant financial strength and a strong team to augment our talented professionals at Charters Towers."

MINERAL TITLES STRENGTHENED

During the Quarter Citigold received notice from the Minister for Natural Resources and Mines for the State of Queensland that a new 1,724 hectare (17.24 square kilometres) Mineral Development Licence MDL 252 (MDL) had been granted to the Company.

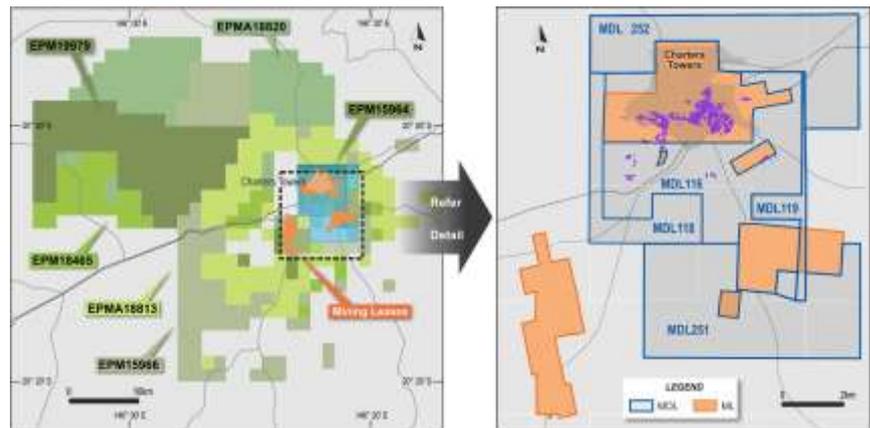
This large MDL, granted under the Queensland Mineral Resources Act, covers the immediately north section of the Central mining area at Charters Towers and has an east-west length of over 8 kilometres. The major reef lines at Charters Towers strike east-west and dip to the north. The southern boundary abuts the Company's existing granted mineral titles including the northern boundaries of MDL's 116, 118, 119 and Mining Leases 10283 and 1488.



The Company's overall MDL holdings, with this new grant, have increased by 35% and now total 66.4 square kilometres. These are in addition to the 26 square kilometres of Mining Leases and over 1,000 square kilometres of Exploration Permits or applications.



The successful deep hole drilled in 2008 through the Queensland Government sponsored Collaborative Drilling Initiative program, has demonstrated that the gold mineralised reefs persist to at least 2 kilometres vertically and remains open at depth. This hole was drilled within the boundaries of MDL 252 and proved that the gold mineralisation at Charters Towers extends much deeper than the 1200 metres depth limit of the currently defined Mineral Resources.



The grant of this MDL means that essentially all of the Company's Mineral Resources and Ore Reserves are now held under granted Mining Leases and Mineral Development Licences. It has taken many years to gradually progress towards the remainder of the Mineral Resource moving out of Exploration Permit into the higher level of tenure. This further consolidates and improves the overall quality of the Company's mining titles held at Charters Towers.

SITE BASED TEAM BOOSTED

The site based team was boosted through the appointment of Dr Brian White to the statutory position of Site Senior Executive (SSE). The SSE position is the most senior person in charge of day to day mining operations. This appointment gives Dr White, who is an Executive Director of Citigold, more direct management control of the Charters Towers gold operations.

Dr White is a mining engineer with a professional career spanning more than 40 years covering all facets of the minerals industry. His experience includes operational management, project development, planning and design in gold and base metals. This has included senior positions in both surface and underground mines in many parts of the world including the legendary large underground



The Company's gold processing plant, showing the gold smelting building (left), and conveyor belt feeding the ball mill (centre).

Ashanti gold reef mine, West Africa. More recently he was Managing Director of Tennent Isokangas consultants and Principal Engineer with Coffey Mining.

MINING OPERATIONS

Gold produced for this quarter totalled 2,187 ounces up substantially from the previous quarter due to the processing interruption while the tailings dam lift was completed. The average gold sale price received was A\$1,599 per ounce down slightly on the previous quarters. The average cash cost per ounce was A\$541 similar to 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.

In ore underground development during the Quarter was focused on the 695 and 710 levels in the Warrior ore body and the 905 and 910 levels in the Sons of Freedom ore body.

The underground production was from the 880 and 885 stope levels.

Recently development of levels within the Warrior reef has recommenced in preparation of renewed ore production from this section of the mine.



HEALTH, SAFETY AND ENVIRONMENT

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

EXPLORATION

With the focus of the geology department on developing the geophysics program only minor mapping, rock chip and sediment sampling continued was under taken during the quarter.

Geophysics

Citigold has been working with Australian and international experts in geophysics utilising the latest data collection and modelling technology. The team is currently designing the final testing stage, a combined drilling and geophysics program, which is anticipated to commence prior to the end of 2012.

Geophysics is helping many miners and explorers discover new mineral bodies. Citigold's advantage over usual deposits is the unique mineralisation at Charters Towers that aims to a system for a very detailed analysis of the data to show the shapes in the very high grade mineralised zones – detail analagous to the modern “MRI” images. The aim is to then eliminate the estimated 70% of the structure that is not high-grade (not payable) thus reducing drilling and accelerating mine planning and conversion of Resources to Reserves. This 70% discount factor has already been applied to the estimation of the current Inferred Mineral Resource. Drilling can then focus on determining width and grade of the ore mining areas. The aim is to create a system that supports the planned growth into a large output, long term gold producer.

EXPANSION OF GOLD PRODUCTION



Over the last few years Citigold has invested considerable time in removing the technical risk from the project. Now with a funding agreement signed in June that provides a strong partner in LionGold, the almost doubling of Reserves to 620,000 ounces of gold, robust site based team and several other potential funding deals advancing strongly, comma the focus of the mining operation at Charters Towers is changing. This is to ensure that on completion of a the large funding deal the projected ramp up to over 300,000 ounces per annum will be completed on time and to budget.

These works include the work on the Central mine operation, efficiency improvements to the process plant, power upgrades at several site controlled by Citigold as well as extending current development at the Imperial mine.

As this work will be done by the existing team the focus will be taken away from short term production, with the only production coming from development drives, as part of an accelerated roadmap to a strong lift in gold output.

The management team is focused on finalising the refinements that will enable production to ramp up as efficiently as possible.



A majority of the capital expansion investment will be to excavate many kilometres of level drives into the ore bodies, similar to the above, to increase the capacity of ore extraction

CORPORATE UPDATE

Financial Highlights

With the completion of the tailings dam at the beginning of the quarter the process plant was back in operation. The revenue from the gold production supported a reversal of the Net operating cash flow from a previous outflow of over \$2 million reducing to approximately \$200k.

With focus on completing the tailings dam and getting the process plant back online as well as production from the underground, only \$1 million was spent on development this quarter.

The company has successfully raised \$10 million through the issue of shares. The funds will see the company pay down majority of its short term borrowings and the balance will be spent on advancing the Charters Towers project.

The company continues to pay down its equipment lease, and they make up of majority of borrowings repaid. The company ended the quarter with a good cash position with over \$3 million in cash reserve.

The completion of the major capital works funding will see a transformational change in the Company with the ability to unlock the enormous wealth contained in the large high grade gold deposit for shareholders.

Citigold is clearly focused on low operating costs and efficiency. A low cost gold production business with a long life has a rare opportunity to generate strong surplus cash flow at current, higher and lower gold prices.



New Director

Ms Gunjan Goel was appointed as a Non - Executive Director of the Company during the quarter. The appointment coincided with Mr Sanjay Gupta stepping down from his position as a Director of the Company. We thank Mr Gupta for his contribution.

Ms Gunjan Goel is a director of K Sera Sera and Affidel Partners, is a graduate in Masters of Business Administration. Her career has been focused on supporting companies as a management consultant. The Board welcomes Ms Goel.

For further information contact:

Matthew Martin
Company Secretary

*** for full details see *Technical Report on the Mineral Resources and Reserves at www.citigold.com click Mining >Technical Reports >Mineral Resources and Reserves 2012***

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 Exploration Results, 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")

30 June 2012

Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	\$A '000	\$A '000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	3,521	14,242
1.2 Payments for		
(a) exploration and evaluation	(305)	(1,577)
(b) development	(1,014)	(6,669)
(c) production	(1,167)	(4,326)
(d) administration	(996)	(3,628)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(286)	(725)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(247)	(2,683)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(77)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	22	440
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	22	363
1.13 Total operating and investing cash flows (carried forward)	(225)	(2,320)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(225)	(2,320)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,144	3,668
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	186	2,233
1.17	Repayment of borrowings	(350)	(1,122)
1.18	Dividends paid	-	-
1.19	Other - (Conversion of Options)	-	-
	- (Issue of Convertible Notes)	-	-
	- (Costs of financing activities)	-	-
	Net financing cash flows	2,980	4,779
	Net increase (decrease) in cash held	2,755	2,459
1.20	Cash at beginning of quarter/year to date	424	720
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,179	3,179

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	243
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	300
4.2	Development	1,500
4.3	Production	700
4.4	Administration	500
Total		3,000

Reconciliation of cash

	Current quarter \$A'000	Previous quarter \$A'000
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.		
5.1	3,179	424
5.2	-	-
5.3	-	-
5.4	-	-
Total: cash at end of quarter (item 1.22)	3,179	424

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	1,238,622,051	1,238,622,051	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,543,750 125,000,000	8,543,750 125,000,000	8 cents 8 cents	8 cents 8 cents
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 7,997,917	Nil Nil	30 cents 12 cents	10 December 2012 28 June 2015
7.8 Issued during quarter	7,997,917	Nil	12 cents	28 June 2015
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: 31 July 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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+ See chapter 19 for defined terms.