

ANNOUNCEMENT



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Update on KIG Transaction

26 August 2015: Brisbane, Australia – Citigold Corporation Limited (“Citigold” or “Company”) (ASX:CTO) hereby advises an update to the announced agreement (“Agreement”) and proposed joint venture (“Joint Venture”) with Kingsford Investment Groups Ltd (“KIG”).

A revised structured approach to the payment of the \$72 million has been agreed between KIG and Citigold. The first \$10 million is now scheduled to be paid by KIG to Citigold on or before 2nd October 2015 with the balance of \$62 million to be paid by KIG to Citigold on or before 30th October 2015. Further, the parties have agreed that this will be the final extension of dates for the investment of funds by KIG.

KIG and Citigold have agreed to further amend the structure and timing of the payments under the Agreement, as varied, and therefore commencement of activities of the Joint Venture.

Although the process of settlement with KIG has progressed more slowly than both parties initially desired, KIG has informed Citigold that KIG remains committed to proceeding with the proposed Joint Venture and to providing funds to Citigold under the Agreement, as varied, in order to enable Citigold to further develop the Charters Towers Central gold mine business. KIG acknowledges that Citigold may engage in discussions with other interested third parties. KIG and Citigold have agreed that Citigold is permitted to consider other offers and enter an alternative agreement for a joint venture or otherwise with another party if Citigold receives a superior offer which is recommended by Citigold’s Board of Directors, in which case Citigold may terminate the Agreement, as amended, on 7 days notice to KIG.

The Board considers that the extension of time is commercially reasonable and the joint venture remains in the best interests of Citigold. The Company has worked steadily and consistently to build the relationship with KIG. This relationship can produce material benefits for Citigold and its stakeholders.

KIG remains confident it will complete the funding in accordance with the new schedule and look forwards to the joint venture scaling up the important Charters Towers project into a significant gold producer.

The gold mines that the Joint Venture will be developing are planned as ongoing long-term operations for up to 20 years and more. It is intended that the gold mines will be a long-term business relationship. As with all commercial relationships, Citigold is keen to enhance that relationship in the spirit of commercial cooperation and understanding between the parties.

Gold still remains a desirable investment in the world and with around A\$1,600 per ounce current gold prices, gold is still a sound business to be in, and a valuable asset to hold. The operating costs for the gold project will be largely Australian sourced, which may generate benefits when the A\$ is lower than the US\$, which may result in relatively high A\$ gold prices.

Citigold is continuing to advance planning and preparation for the project. Additional time has been devoted by Citigold in progressing the design, assessment and implementation options for a range of mining options to improve operational efficiencies. This additional time has also identified further capital and operating cost savings that will be a benefit to the project.

It is the Board's view that the Charters Tower Central gold mine business acquired over time has a substantial value. Substantial infrastructure has already been commissioned for this gold project and Citigold has undertaken trial mining and sales of over 100,000 ounces in connection with the project. Some 90% of the surface infrastructure is commissioned and ready for the future operations in connection with the project. It is intended that the main go-forward focus of expenditure through the Joint Venture will be on expanding the underground system of tunnels into the gold production areas. This should provide sufficient access tunnels inside the gold mineralized areas with a view to providing consistent high quality gold output to sustain the planned throughput rate in the gold extraction plant.

The recent corporate personnel changes at Citigold are another step towards the future.

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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.*