

ANNOUNCEMENT



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Update on KIG Transaction

2 October 2015: Brisbane, Australia – Citigold Corporation Limited (“Citigold” or “Company”) (ASX:CTO) hereby advises an update to the announced agreement, as varied (“Agreement”) in respect of the proposed joint venture (“Joint Venture”) between Citigold and Kingsford Investment Groups Ltd (“KIG”).

On 26 August 2015, Citigold advised that it had agreed with KIG a revised payment timeframe in respect of the \$72 million payable in accordance with the Agreement. Under the Agreement, the first \$10 million was scheduled to be paid by KIG to Citigold on or before 2nd October 2015, with the balance of \$62 million due to be paid by KIG to Citigold on or before 30th October 2015. Further, the Company announced that such revised payment timeframe would be the final extension of the dates for investment of the funds in the Joint Venture by KIG.

KIG has now advised Citigold that it has not yet completed the requisite funding from external sources. KIG has advised Citigold that KIG requires additional time to complete such funding.

Citigold has not agreed to extend any of the payment dates under the Agreement.

Further, Citigold has reserved its rights under the Agreement.

KIG has informed Citigold that it has access to substantial assets. Nevertheless it has had delays completing the external funding due to concerns from investors surrounding recent fluctuations in international stock market indices and stock prices (especially in the resources sector), together with observed turbulence in the international stock and commodity markets.

Further, KIG has informed Citigold that KIG intends to proceed with the Joint Venture when it completes the requisite funding.

It is a fact that the payment of the \$62 million under the Agreement is not due until 30 October 2015. Citigold considers that this payment is the more important of the two payments.

Whilst Citigold has reserved its rights against KIG in connection with the Agreement, Citigold currently intends to continue to communicate and deal with KIG until 30 October 2015 with a view to identifying whether KIG is able to pay the entire \$72

million due under the Agreement, on or before the subsequent 30 October 2015 payment date.

If KIG pays the combined \$72 million to Citigold on or before the subsequent payment date, then the Joint Venture can proceed. The two companies will then be in the gold business together. In the meantime, Citigold reserves its rights, including the right to terminate the Agreement if a superior deal to the current proposed transaction is secured by Citigold from a third party.

Through a superior deal it is Citigold's goal to obtain a larger funding commitment than proposed by KIG and/or that Citigold shareholders would have a larger retained interest in the Charters Towers asset and its future cash flow. Citigold is currently in discussion with at least one such party.

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, in order to enable Citigold to further develop the Charters Towers Central gold mine business.

Citigold will continue to monitor its options in the period up to and including 30 October 2015. The Company has worked steadily and consistently to build its relationship with KIG.

KIG has advised Citigold that it remains confident it will complete the funding due to the current advanced stage it is at. Citigold has made further inquiries of KIG and, based upon the information provided by KIG, Citigold considers that their funding does appear to be at an advanced stage.

The gold mines that Citigold and KIG intend to develop in connection with the Joint Venture are planned as ongoing long-term operations for up to 20 years and more. It is intended by Citigold and KIG that the Joint Venture and the operation of the gold mines at Charters Towers by the Joint Venture will be a long-term business relationship.

Citigold is keen to enhance that relationship in the spirit of commercial cooperation and understanding between the parties.

Citigold considers that gold remains a desirable investment and based upon the current gold price of around A\$1,600 per ounce, Citigold remains of the view that gold mining is a sound business and that gold resources and reserves are valuable assets to hold. The Company notes that the operating costs for the gold project will be largely incurred in Australian currency, which can generate additional benefits relative to US\$ denominated operations.

Citigold continues to advance its planning and preparation for its flagship Charters Towers Gold Project.

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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 subject 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.*