

## ANNOUNCEMENT



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## Gold Purchase Agreement

**9 June 2017: Brisbane, Australia** – Citigold Corporation Limited (“Citigold” or “Company”) (ASX:CTO) hereby advises that it has entered into a Gold Purchase Agreement for the sale by Citigold of 100,000 ounces of gold in-situ to GLD International Inc (“GLD Inc”). Citigold’s obligation is to deliver gold metal up to the contracted quantity within 5 years subject to certain terms and conditions.

In March 2017 the Company announced a ‘gold sale agreement’ that had been entered into with Aaron Data Systems Inc (‘Aaron’) whereby a controlled subsidiary of Aaron was to purchase the gold. This agreement has become unworkable due to lack of performance by Aaron and therefore that agreement is at an end and terminated.

The agreement with GLD Inc is very different and provides benefits, clarity and clear performance targets for both parties. A substantial benefit to Citigold is that the gold initially purchased in-situ if it is to be converted and delivered as physical metal will be paid for within 12 months being 30 June 2018.

The incentive to GLD Inc to pay for the gold at the earliest is that the buy price will be at 80% of the gold spot buy price at the time, and in limited circumstances at Citigold’s discretion, at 70% of the spot gold price. This discretion relates to opportunity for accelerated purchases from time to time. Citigold will receive the cash as the gold ounces are purchased. The more gold that GLD Inc pays for prior to 30 June 2018 then Citigold will increase the rate of delivery of the gold metal with all gold paid for to be delivered within 5 years, being 1 June 2022 at the latest.

The GLD Inc transaction will accelerate prepaid gold sales revenue to Citigold, that can then be used to recommission our Charters Towers Gold Project at the earliest. Over the period from now until 30 June 2018 the potential prepaid revenue to be received by Citigold could be up to A\$123 million (assuming an effective gold spot price of A\$1,650 per ounce, an average of 75% sales price and the maximum 100,000 ounces). Citigold has agreed to accelerate gold deliveries if certain payments targets to Citigold are met.

GLD Inc has indicated they expect to commence gold purchases before 30 June 2017 or shortly thereafter.

While the rate of gold purchases is principally with GLD Inc there are incentives to purchase earlier than 30 June 2018. Similarly while Citigold has up until 1 June 2022 to deliver the gold metal there are incentives if the revenue stream is faster to Citigold then

the Company agrees to deliver the gold metal at a faster annual rate. This includes as follows if the gold in-situ is paid for by 30 June 2018:

- a) If at least 30,000 ounces, then Citigold will deliver gold metal from 30 June 2020, at a discretionary rate; or
- b) If at least 60,000 ounces, then Citigold will deliver gold metal from 30 June 2020, on a quarterly basis at the rate of at least 10% of its gold production; or
- c) If at least 90,000 ounces, then Citigold will deliver gold metal from 30 June 2020, on a quarterly basis at the rate of at least 15% of its gold production.

In the scenarios above, at the same assumed gold price and revenue percentage, if purchased by 30 June 2018 then: a) the revenue to Citigold could be A\$37 million; and in b) A\$74 million; and c) A\$111 million. The agreement is in USD (US\$) and therefore exchange rates could vary the figures up or down.

All purchased gold is to be delivered by Citigold by 1 June 2022 at the latest.

Citigold is of the clear view this is an attractive deal for Citigold and its shareholders.

There is no requirement for margin calls, early delivery or interest should the price of gold vary over time or be different at time of delivery. Citigold's business is ultimately gold production and with estimated low production operating cost the deliveries can be profitably met.

The prepaid gold sales revenue would provide the working capital for the growth of gold mining on the Company's high-grade Charters Towers goldfield project growing into the targeted 220,000 ounces per year ultra low-cost gold producer.

**Background on GLD International Inc, USA:** founded by individuals directly and indirectly involved in aligning businesses with lifelong expertise in gold mining, gold markets, information technology and the latest cutting edge distributed ledger blockchain reality. Team members across four continents form the nucleus for GLD International Inc, a new brand with global goals as a cryptocurrency technology company.

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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.*