
4 May 2022

Mr Justin Nelson
Principal Adviser
Listings Compliance (Sydney)

By email to: ListingsComplianceSydney@asx.com.au

Dear Mr Nelson,

Citigold Corporation Limited ('CTO'): Query Letter

Citigold Corporation Limited (the "Company", "Citigold" or "CTO") refers to ASX letter dated 28 April 2022 with reference 46768 entitled "Citigold Corporation Limited ('CTO'): Query Letter". The Company's response to the ASX request for further information is as per below.

The Company's responses are in 'italics'.

Processing Plant

1. Please clarify whether CTO selected a different plant processing site in each of the seven quarters referred to in paragraphs A-C, or repeatedly re-announced the selection of the same, or materially similar, processing site.

Paragraphs A – C relate to the same processing plant site, but each time the decision was based on additional study and improved outcomes. In all these endeavors we acted in good faith and for the right reasons. With the gold mine centred around and in the City of Charters Towers many of the deliberation processes and considerations are naturally more complex and varied than the usual case with mines located in remote areas. The Stockholm site itself is relatively large and different parts have to be considered. The Chairman, in addition to other consultants, has played a very active role in the original design and integration of the gold project into the community and continues to this day. The harmonious relationship with the community is very important, and it is not achieved without the genuine empathy and understanding of the community and, natural and built environment.

Additional study/studies and improved outcomes includes: mining lease suitability for process plant, temporary vs long term location, toll process vs internal processing, investigation of cyanide free processing, haulage route assessment, community considerations, review of different processing technologies, operating costs review, potential for removing bulk granite dilution underground, review land condition, civil works minimisation, renewable energy vs grid power initial cost review, small captive renewable energy system vs on grid, integrating surface and underground haulage systems, water supply for new processing plant site, preliminary site layout considerations, minimising plant surface footprint, aerial drone survey, various on ground inspections, environmental considerations, and studies are ongoing. The above are extracted from the activities reports.

2. If CTO re-announced the same information about the processing site selection multiple times, please explain why it did so, and clearly outline any material progress in relation to the processing site that was achieved over the seven quarters.

The Company did not announce the same information based on the same information, as is asserted. The writers apparent assumption that there was not new information is incorrect. The entire process

plant section needs to be read in its full entirety as statement on selection of the process plant provides context for the reported activities conducted for the respective quarters.

As stated on CTO's March 2021, June 2021, September 2021 and December 2021 Quarterly Activities Reports "Further investigation is currently continuing to be carried out". Clearly, this is an ongoing process. It is well reported the Company has extensive mineral landholdings and other site(s) are naturally under consideration.

All of these activities are driven towards improved outcomes being:

- *Ultra-low-cost gold producer*
- *Using state of the art technologies and efficiencies*
- *In harmony with the local environment*

Charters Towers Gold Project

3.1 Noting the apparent materiality of project financing to a return to production, when did CTO become aware that it would not secure funding by the end of 2020?

The Chairman's letter stated "... expect to see funding in place by the end of the 2020 calendar year" was a timeframe expectation based on knowledge at that time. It can only be an expectation because the Company has no control of other party(ies).

The Company made an assessment on 11th January 2021 that further discussions would be required and subsequently provided an update to the market on 11 January 2021 in the Quarterly Activities Report that "Project funding negotiations continuing".

3.2 Please identify the announcement in which CTO disclosed this delay in funding to the market. If no announcement was released, please explain why not.

Please see Quarterly Activities Report released on 11 January 2021.

3.3 When did CTO become aware that it would not secure funding by the end of the March 2022 quarter?

The Company made an assessment based on funding discussions on 4th April 2022 and provided an update. It is a timeframe expectation because the Company has no control of other party(ies).

Updates included:

- a) "Shareholders have funded the Company over many years. Management seeks to structure funding beneficial to the funder(s) and shareholders. Growth requires substantial further capital. There is interest by entities to join Citigold in the development of the gold mine. Citigold is continuing to work with parties who are at various stages of discussions regarding funding opportunities." And*
- b) "Financing discussions to enable the transition to gold production, have progressed and will be announced when in place."*

3.4 Please identify the announcement in which CTO disclosed this delay in funding to the market. If no announcement was released, please explain why not.

Please see Quarterly Activities Report released on 4th April 2022.

3.5 Please outline how the financing discussions progressed during the March 2022 quarter.

- a) Discussions with a potential funding partner reached an advanced stage by March 2022 Quarter.*
- b) A funding deal was formulated with the potential funding partner before March 2022 Quarter and there were conditions required to be fulfilled by the other party before the proposal became effective.*
- c) Citigold and its offshore transaction legal advisor was aiming to complete the deal before the end of the March 2022 Quarter timeframe and Citigold was confident this could occur, but timing was in the control of the funder and not Citigold.*

d) *In addition to the above, Citigold was continuing to work with other parties*

3.6 Please outline the material factors that are currently preventing CTO from securing the funding it expected to have in place by now.

The Company has always endeavoured to act in the best interest of shareholders, in good faith and for the right reasons. Despite best efforts, timing is not all within Citigold management control. Among other things it depends on varying market forces, political and other conditions and, the commitment to a large financial transaction over a long period of time by another party, who needs to be comfortable with the gold mining risks.

Citigold has one large gold project. In past announcements it has been indicated that the gold project requires an investment of circa \$100 million (Annual Report to Shareholders, released 26 October 2017), and subsequently that costs may be reduced to \$75 million (Quarter Report released on 31 October 2018). This has not been adjusted for covid and or war inflation effects.

As stated in the March 2022 Quarter report released 4 April 2022 "Shareholders have funded the Company over many years. Management seeks to structure funding beneficial to the funder(s) and shareholders. Growth requires substantial further capital. There is interest by entities to join Citigold in the development of the gold mine. Citigold is continuing to work with parties who are at various stages of discussions regarding funding opportunities."

It is fair to say it is easy to do a bad deal for shareholders, therefore the Company seeking to structure funding that is beneficial to the funder(s) and shareholders, we believe is the correct path.

3.7 When does CTO now expect to provide its next material update on the project funding? If no target can be set, please explain why not, given that March 2022 was previously set as a target and CTO stated that discussions have progressed since.

The end of March was not a 'target', it was a timeframe expectation, it can only be an expectation because we have no control of other parties. Therefore, the timing of a completed funding transaction is uncertain, our efforts will continue and announced when in place. Citigold has already provided an update on project funding in its Quarter Report released on 4 April 2022, which includes:

As previously stated, in summary, Citigold is continuing to work with parties who are at various stages of discussions regarding funding opportunities, and financing discussions to enable the transition to gold production, have progressed and will be announced when in place.

4. CTO has recently referred to the Charters Towers Mine as "shovel ready" (paragraph E) and "production ready" (paragraphs F and H). ASX observes that CTO has previously stated that "substantial" investment was needed to maintain the mining assets (paragraph D). Please explain what "shovel ready" and "production ready" means in the context they have been used and outline in detail what steps have been taken to ensure that the project remains "shovel ready" and/or "production ready".

The Company has developed the Charters Towers Gold Project from scratch. From exploration to determine geological potential, onto the pegging of mining leases and progressing them through the very complex permitting processes, onto successful test mining producing collectively circa 100,000 ounces of gold.

Citigold refers to the Charters Towers Mine as "shovel ready" and "production ready" in the general context of construction is ready to start, other than for required financing.

The substantial investment annually applicable to mining project includes the running and maintenance of tenement obligations, caring for the Company's very substantial mining assets in North Queensland, ongoing optimisation of the Company's go forward plans including but not limited to evolution of potential technologies, payment of numerous government charges, corporate overheads, compliance and maintaining relationships with various stakeholders, etc.

5. Have any of the reviews (paragraphs H and J) substantially progressed to a point where CTO can use the results to recommence production at the Charters Towers Mine? If so, please provide details

Moving of the project towards commercial gold production is only dependent on the major funding, with that in place, we will essentially start tomorrow.

The ongoing reviews and studies are ongoing optimization of the go forward plans to move into major ultra low cost gold production in harmony with the human, natural and built environment.

6. Please outline any other impediments (such as but not limited to: mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors), financing aside, currently preventing CTO from recommencing production at the Charters Towers Mine.

The Company is not aware of any material matters other than financing.

Financial Statement Queries

7.1 Please provide a breakdown of director payments (payable or actually incurred) and how these payments were split and reported in CTO's financial statements for FY20 and FY21, including any capitalised expenses.

	<u>FY20</u>	<u>FY21</u>
<i>MJ Lynch</i>	<i>642,474</i>	<i>674,598</i>
<i>Personnel Benefit Expense*</i>	<i>642,474</i>	<i>674,598</i>
<i>JJ Foley</i>	<i>209,484</i>	<i>209,484</i>
<i>Consulting Expense</i>	<i>104,484</i>	<i>104,484</i>
<i>Personnel Benefit Expense</i>	<i>105,000</i>	<i>105,000</i>
<i>S Acharya</i>	<i>70,000</i>	<i>73,333</i>
<i>Personnel Benefit Expense</i>	<i>70,000</i>	<i>73,333</i>
<i>Total</i>	<u><u><i>921,958</i></u></u>	<u><u><i>957,415</i></u></u>

**Portion of the total remuneration based on time worked on the project, has been capitalized to the project in accordance with AASB 6 for Capitalised Expenditures.*

7.2 For any payments to directors not recorded in the 'Personnel benefits expense' or 'Consulting expense' accounts on CTO's income statement, please provide a detailed explanation of the nature and cost of the work performed.

Payments to Lynch, Foley and Acharya are recorded against personnel benefits expense and/or Consulting expense. Payments to Lynch are initially recorded against personnel benefits expense and at balance date based on time spent on the Project a portion has been capitalized.

7.3 Please explain the apparent discrepancy between the related party payment figures in the Annual Report (\$957,145) and the Appendix 5Bs (\$56,000) for FY21

The differences relate to timing difference between cash and accrual accounting. Indicatively the Company expects these accruals to be reflected in the Appendix 5B cash flow statements and progressively at a time when the project funding is available to the Company.

8. ASX observes Note 3 to CTO's 2020 financial statements stated that "Forgiveness [sic] of Interco Loan" totalled \$101,323. Please explain the circumstances surrounding the forgiveness of the "Interco Loan" in further detail.

This is a typographic error of the account name at this location and the correct account name should be "Asset write off". The amount was additionally correctly recognized in Note 11 under "Reconciliation of Plant and Equipment" on page 39 of the same 2020 Annual Report as "Adjustment".

Listing Rules

9. Please confirm that CTO is complying with the Listing Rules and, in particular, Listing Rule 3.1.

The Entity confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

10. Please confirm that CTO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CTO with delegated authority from the board to respond to ASX on disclosure matters.

The Entity confirms that CTO's response to the above questions have been authorised by an officer of CTO with delegated authority from the Board to respond to ASX on disclosure matters.

We trust that the above addresses all the ASX's questions.

Yours sincerely

Niall Nand

Company Secretary

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Fortitude Valley, QLD, 4006 Australia

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 www.citigold.com



28 April 2022

Reference: 46768

Mr Niall Nand
Company Secretary
Citigold Corporation Ltd
PO Box 1133, Fortitude Valley QLD 4006

By email: nnand@citigold.com

Dear Mr Nand

Citigold Corporation Limited ('CTO'): Query Letter

ASX refers to the following:

Selection of Processing Plant Site

- A. CTO's June 2020 Quarterly Activities Report released on the ASX Market Announcements Platform ('MAP') on 29 July 2020, which disclosed (relevantly, emphasis added) that:
- "During the quarter, a site was selected, for an innovative Citigold gold ore processing plant using the latest digital, gravity and cyanide recovery processes.*
- The land is already under mining lease adjacent to our previously mined open pit (now a water storage) at the Stockholm mine."*
- B. CTO's September 2020 and December 2020 Quarterly Activities Report released on MAP on 27 October 2020 and 11 January 2021, respectively, which both stated (emphasis added) that:
- "During the Quarter the Company's technology driven 'ultra-low-cost mining' initiative manifested in selecting the site of the new Citigold processing plant. The plant will be located closer to the Central Mine, adjacent to the Company's previously mined 'Stockholm' open pit. The site has existing mining leases with sealed highway door to door."*
- C. CTO's March 2021, June 2021, September 2021 and December 2021 Quarterly Activities Report released on MAP on 26 April 2021, 20 July 2021, 27 October 2021 and 11 January 2022, respectively, which all stated (emphasis added) that:
- "During the Quarter the Company's technology-driven 'ultra-low-cost mining' initiative manifested in selecting the site of the new Citigold processing plant. The plant will be located closer to the Central Mine, adjacent to the Company's previously mined open pit. The site has existing mining leases with sealed highway door to door."*

Charters Towers Gold Project

- D. The Chairman's letter in the 2016 Annual Report released on MAP on 28 October 2016, which stated (emphasis added) that:
- "Discussions continue with several major strategic funding partners in developing the production ready Charters Towers Gold Project... The large production ready asset at Charters Towers requires a substantial investment each year to maintain and hold the asset. Therefore, we are looking forward to moving the asset back towards gold production in the 2016-17 financial year."*

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- E. The Chairman’s letter in the 2020 Annual Report released on MAP on 29 September 2020, which stated (emphasis added) that:

*“The 2020 financial year has been a very productive year and discussions with major project funding partners **expect to see the funding in place by the end of the 2020 calendar year...** I had the pleasure of visiting Charters Towers and inspecting our mining assets. The sites are **well maintained and ‘shovel ready’.**”*

- F. CTO’s December 2021 Quarterly Activities Report released on MAP on 11 January 2022, which disclosed (emphasis added) that:

*“The Company’s Gold Mine is **currently production-ready** and the main focus is on completing the major funding negotiations and moving to gold production and revenue thereafter.”*

- G. CTO’s December 2021 Half Year Report released on MAP on 2 February 2022, which disclosed (emphasis added) that:

*“Financing discussions, to enable the transition to gold production, have progressed and at this time **we reasonably expect they may be in place by end of March 2022 Quarter.**”*

- H. CTO’s March 2022 Quarterly Activities Report released on MAP on 4 April 2022, which disclosed (emphasis added) that:

*“Growth **requires substantial further capital.** There is interest by entities to join Citigold in the development of the gold mine. Citigold is **continuing to work with parties who are at various stages of discussions** regarding funding opportunities...”*

*Financing discussions to enable the transition to gold production, have progressed and will be announced when in place. The Company’s Gold Mine is **currently production-ready.**”*

- I. CTO’s June 2020 Quarterly Activities Report released on MAP on 29 July 2020, which disclosed (emphasis added) that:

*“The Company and its independent mining engineering consultant, Prospector Enterprises, reviewed **over the last two quarters** the mining design, engineering plans and other mining data for Central which is being optimised substantially because of technologies available today which were not available 5 years back.”*

- J. CTO’s 2021 Annual Report released on MAP on 20 August 2021, which disclosed that:

“The Company and its mining engineering consultants, Prospector Enterprises, continued to update the mine design with data for the Central Mine being reviewed and optimised because of improved technologies not previously available.”

Listing Rules

- K. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.

- L. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity” and section 4.4

in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”

Request for information

Having regard to the above, ASX asks CTO to respond separately to each of the following questions and requests for information:

Processing Plant

1. Please clarify whether CTO selected a different plant processing site in each of the seven quarters referred to in paragraphs A-C, or repeatedly re-announced the selection of the same, or materially similar, processing site.
2. If CTO re-announced the same information about the processing site selection multiple times, please explain why it did so, and clearly outline any material progress in relation to the processing site that was achieved over the seven quarters.

Charters Towers Gold Project

3. ASX observes that CTO has long referenced discussions with financing partners (e.g. paragraph D). CTO has stated that it expected to see funding in place by the end of 2020 (paragraph E). The December 2021 quarterly activities report, states that discussions are still ongoing (paragraph F). The December 2021 Half Yearly Report states that CTO now “reasonably expect they may be in place by end of March 2022 Quarter” (paragraph G). The most recent quarterly activities report, for the quarter ending March 2022, indicates that discussions have progressed but are continuing.
 - 3.1 Noting the apparent materiality of project financing to a return to production, when did CTO become aware that it would not secure funding by the end of 2020?
 - 3.2 Please identify the announcement in which CTO disclosed this delay in funding to the market. If no announcement was released, please explain why not.
 - 3.3 When did CTO become aware that it would not secure funding by the end of the March 2022 quarter?
 - 3.4 Please identify the announcement in which CTO disclosed this delay in funding to the market. If no announcement was released, please explain why not.
 - 3.5 Please outline how the financing discussions progressed during the March 2022 quarter.
 - 3.6 Please outline the material factors that are currently preventing CTO from securing the funding it expected to have in place by now.
 - 3.7 When does CTO now expect to provide its next material update on the project funding? If no target can be set, please explain why not, given that March 2022 was previously set as a target and CTO stated that discussions have progressed since.
4. CTO has recently referred to the Charters Towers Mine as “shovel ready” (paragraph E) and “production ready” (paragraphs F and H). ASX observes that CTO has previously stated that “substantial” investment was needed to maintain the mining assets (paragraph D). Please explain what “shovel ready” and “production ready” means in the context they have been used and outline in detail what steps have been taken to ensure that the project remains “shovel ready” and/or “production ready”.
5. Have any of the reviews (paragraphs H and J) substantially progressed to a point where CTO can use the results to recommence production at the Charters Towers Mine? If so, please provide details.

6. Please outline any other impediments (such as but not limited to: mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors), financing aside, currently preventing CTO from recommencing production at the Charters Towers Mine.

Financial Statement Queries

7. ASX observes that page 26 of CTO's 2021 Annual Report states that 'related party payments' to directors and key management personnel for the financial year was \$957,415 (2020: \$921,958). CTO's statement of profit or loss on page 29 lists 'Personnel benefits expense' as \$284,564 (2020: \$453,164) and 'Consulting expense' as \$413,251 (2020: \$293,415). It appears that payments to directors and key management personnel exceeded the combined income statement costs for personnel benefits and consulting.

Furthermore, ASX observes that CTO's Appendix 5Bs for the quarters making up FY21 disclosed the following at section 6 'Payments to related parties of the entity and their associates':

30 September 2020	\$1,000
31 December 2020	\$0
31 March 2021	\$5,000
30 June 2021	\$50,000
<u>Total FY21</u>	<u>\$56,000</u>

In light of this:

- 7.1 Please provide a breakdown of director payments (payable or actually incurred) and how these payments were split and reported in CTO's financial statements for FY20 and FY21, including any capitalised expenses.
 - 7.2 For any payments to directors not recorded in the 'Personnel benefits expense' or 'Consulting expense' accounts on CTO's income statement, please provide a detailed explanation of the nature and cost of the work performed.
 - 7.3 Please explain the apparent discrepancy between the related party payment figures in the Annual Report (\$957,145) and the Appendix 5Bs (\$56,000) for FY21.
8. ASX observes Note 3 to CTO's 2020 financial statements stated that "Forgiveness [sic] of Interco Loan" totalled \$101,323. Please explain the circumstances surrounding the forgiveness of the "Interco Loan" in further detail.

Listing Rules

9. Please confirm that CTO is complying with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that CTO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CTO with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AM AEST Wednesday, 4 May 2022**. You should note that if the information

requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CTO's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require CTO to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in CTO's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in CTO's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to CTO's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that CTO's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Justin Nelson

Principal Adviser, Listings Compliance (Sydney)