



This document deliberately attempts to stay clear of hard to understand geological jargon so as to maintain a high level of readability for all investors. A link to some additional history of the Charters Towers Goldfield is provided at [click here](#) for the sake of interest and live links are provided throughout the text in order to expand on or illustrate major points of interest.

Relevant history, details on the nature and reliability of the ore body that can allow a true understanding of the deposit, obvious reasons why it has not been further exploited until now and the CTO company strategy to deliver an optimum investment outcome are all discussed in detail.

## **Introduction and Brief History**

Citigold Corporation Ltd owns 100% of the Charters Towers goldfield in far North Queensland which is not only rich, it is also a rare and possibly unique ore body for several reasons. The unique features allow for a remarkably predictable, stable, profitable and large scale long term gold producing operation. This is music to the ears of savvy investors however such a statement has to be well founded in fact for this purpose. Now let us examine the Citigold story in depth so you can measure these claims in a logical and precise manner for your own evaluation.

Historically there was approximately 6.6 million ounces mined at Charters Towers, mostly from the late 1880's and up until a few years before the beginning of the First World War in 1914. The peak production was 319,572 ounces in 1899 and an average production rate of over 200,000 ounces of gold was sustained for two decades during that era. To put this in context this is the highest level of gold production ever achieved in Queensland. History therefore proves that the gold is there and of particular interest to Citigold and its investors is that this is far from the end of the story.

History also tells an interesting tale of how the fixed price of gold, rising mining (mainly energy & labor costs) and staff shortages due to the war and the fact that the main producing vein then reached & ran directly under the town - smack into 3,000 restrictive title claims. A combination of these factors caused miners of the day to walk away from rich grades that showed no sign of ending. Sounds a bit familiar to the late 1990's but this happened in the early 20<sup>th</sup> century.

Expanding on this there was a unique and important factor in this story in that until 1984 there was a very rare land title situation in Charters Towers whereby freehold owners in the town owned 3,000 separate titles which controlled the gold mining rights under the town. This prohibited the goldfield from being re-opened during the gold boom in the 1970's and finally Jim Lynch secured the rights in 1984 when the Crown converted the titles in the area to match normal freehold rights elsewhere in Australia. Jim Lynch,

prospector and businessman, showed great vision having been ready to act when the lands became available beating the larger companies in a lease pegging spree.

Finally Charters Towers Gold Mines NL was founded by Jim Lynch to develop the goldfield and was listed on the Australian Stock exchange in December 1993, changing its name to Citigold Corporation Ltd in December 2003. Mark Lynch is the current Managing Director and son of the late Jim Lynch. View Directors page – [click here](#)

### **Australia's Richest Goldfield – A Concise Summary**

Citigold owns 100% of the Charters Towers gold mine, located in northern Queensland (130 km's South-West of Townsville), approximately 385 square kilometers which covers some 80 prospects. Citigold has permit applications for a further 310 square km's of adjacent land. The most valuable part is the central 25 square kilometers that covers the 5 major known vein lines.

What makes this gold field unique, why is production set to be stable and profitable? To begin with this is a large gold field and is currently measured at 23 million tons containing 10 million ounces of gold to JORC standard (which is the Australian mining industry resource measurement code). In fact it is in the top 20% of gold deposits ever found as measured by size.

This document also takes a realistic look at the potential [50 million ounce upside](#) of this resource which would comfortably put this field in the top 10% of gold ore bodies ever found. Even more interesting is the fact that most of these larger gold deposits in the top 10 – 20% range are low grade and yet Charters Towers contains a robust (highly profitable) 14 grams per ton or 0.45 ounces per ton.

The rarity and potential of this deposit is further enhanced when you consider that this deposit has not been disturbed by geological events or movement since the fluids containing the gold did their work carrying the gold up from the feeder source below. This is critical to an understanding of the predictability of this [resource](#) so let us take a closer look at this.

To explain further one has to understand that underground deposits of this type are usually highly folded, dislocated and hard to follow and mine. At Charters Towers there is no such problem which is of huge benefit because Citigold has been able to precisely locate extensions to these veins with reliable precision.

Because the gold veins are undisturbed and predictable it stands to reason that they will be cheaper to find and mine. Other notable underground deposits have failed in spectacular fashion because their operators failed to successfully define their own reefs and the grade of gold contained. Charters Towers has a vastly different story because Citigold has confirmation from 147,000 meters of drilling from 1,809 holes with 1,500 significant intersections. These intersections prove the exact position of their reefs and most importantly – historic grades have been systematically confirmed throughout the field providing great confidence to Management and investors.

## **Resource Reliability – Final Summary**

The continuous success rate of the 1,800 drill holes proved how reliable the predicted locations of the reefs are. This type of deposit (deep with long relatively narrow high grade reefs) does not viably lend itself to intense close spaced drilling which would allow a Measured JORC resource to be defined. This is in contrast to near surface oxide (free digging) and or sulphide low grade deposits which normally contain this quantity of gold.

It is vastly cheaper and therefore much smarter business in this case to prove the resource model with wider spaced drilling and then mine, extract and process the ore which is what CTO is doing at Charters Towers. This would not be the case if this goldfield did not exhibit its unique combination of features. Citigold also benefits from the ore body 'template' established from the past mining which acts as a valuable guidebook on the gold ore body's performance. To clarify the resource more precisely for you here is the summary. It is also recommended that readers view the Flash Player presentation titled "Australia's Richest Goldfield" on the [CTO home page](#) – (click on the arrow which is located on the small map of Australia).

The gold is found in veins one to four metres wide, which are contained in basically straight fault lines that are very continuous. The veins are up to five (five) kilometres long and 1200 metres down-dip with essentially no cross-faults or folding. Further drilling continues to confirm that the structures are very predictable for exploration and mining purposes and Citigold has been able to consistently hit their targets within one or two metres at depths down to 1200m. (Link to resource model diagram here)

Citigold has invested over \$110 million AUD into the project to date, having commenced mining operations in late 2006. Mineral resources have been estimated to the 1,200 meters depth drilled to date. Citigold's corporate goal is to develop this 310,000kg gold deposit and at the same time grow the defined gold deposit towards 50 million ounces (1,560,000 kg). Exploration and studies so far have led to the conclusion that the overall Charters Towers goldfield, currently held by Citigold, has the exploration potential to contain up to 50 million oz Au.

This conclusion is well founded on the fact that: the field has already yielded 6.6 million oz Au; Citigold has already defined an additional 10 million oz of mineral resources from part of the goldfield down to a depth of 1200 metres, making the known mineralisation of the field 16.6 Moz; and that the structures containing the mineralisation are considered to extend to 3,000 metres in depth. Significant mining has generally remained above 700 metres depth. At least four additional major parallel structures that have been mapped are mineralised and have previously been partly mined, which remain unexplored. These exploration targets contain four times the known mineralisation of 16 Moz.

## **Citigold Corporation – Development and Mining Strategy**

Citigold Corporation Limited's guiding principle is to continually and sustainably increase shareholder value. The two key pathways to success are increasing the known

size of the gold deposit (asset growth), and gold production (profits). Efficiency in expenditure in these two areas is an important ingredient of the way Citigold invests its shareholders funds, while steadily increasing revenue through investment and increasing gold production ensures that shareholder value is increased.

Citigold is producing gold at Charters Towers from its underground mine on the Warrior vein. Gold production has been growing with the immediate goal of building up to 100,000 ounce a year rate by the end of 2008. Gold production will be further expanded over the next four years by extracting gold from several adjacent underground gold veins on the Charters Towers Goldfield building production to 250,000 ounces per year in the longer term.

Citigold's exploration strategy is focused around and adjacent to its mining operations at Charters Towers. This is referred to as "brownfields" exploration, exploring in and around known mineralised areas, rather than exploring "greenfields" or unknown areas. Currently Citigold has 3 self owned diamond drill rigs working on the property, with two more rigs on order. The main purpose of the drilling program is to drill the extensions of the main mineralized zones. The vein structures are well known and therefore the drilling is more like low risk 'grade-control' drilling as a part of the mining process rather than exploration.

Citigold has an aggressive expansion strategy ramping production towards 100,000 oz per annum rate by end 2008, and onto 250,000 oz per annum rate by mid 2011. The production rates are based on the staged development of several known adjacent Charters Towers reefs. The several planned adjacent mining areas will all feed the now operational centrally located gold processing plant owned by Citigold. Each reef will require capital development, a mining fleet, and associated workforce.

The expansion program also provides for an increase in the state grid power allocation to 3 megawatts (predominantly associated with the underground mine operations), a second ball mill, additional gravity circuit capability, and increased leaching capacity. The 4 year expansion program requires an initial investment of 50 million AUD to be used for underground mine development. The initial project funding will be externally sourced from debt and equity. The further capital expenditure will be sourced from internally generated cash flow. To view Investors Introduction - growth strategy on CTO site – [click here](#)

### **Mining the Gold**

At the Charters Towers gold mine, Citigold has moved away from traditional hand-held or air-leg mining of veins used in less efficient competitor operations. It has developed a cost efficient mechanized system of mining the high grade vein style gold resource, called longhole open stoping. The method uses 10 to 15 metre spaced haulage levels, developed in the ore. Blast holes are drilled from the bottom level using an Atlas Copco 1257 Simba rig, cutting a narrow slot upwards that extracts just the ore with minimal unplanned dilution. The ore is a separate rock type that breaks away clean because it is not geologically attached to the strong granite country rock.

The broken ore drops to the floor of the lower level and is removed using a remote controlled loader and transported to the surface in 40-ton mine trucks. This method of mining the ore allows for actual mining widths of stopes to be reduced down to 1.2 metres, which significantly reduces dilution compared with other stoping methods and maintains the high grade of the ore.

The mining method has been particularly successful at Charters Towers due to its unique geology. Thin layers of clay and finely crushed rock have formed on either side of the ore where it abuts the host granite rock. This creates a plane of weakness that limits the breakage of surrounding rock, allowing the ore to drop out but leaving the granite in place. Minimising dilution reduces the tonnage to be hauled to surface and milled, reducing operating costs.

Mining overview – [click here](#)

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