CITIGOLD MARCH 2009 QTR: WALKING THE TIGHTROPE OF CASHFLOW MANAGEMENT AND DEVELOPMENT

	Mar Qtr	Dec Qtr	Change
Production (oz)	2,522	2,569	-2%
Head Grade (g/t)			
Average Price Received (A$/oz)	**1,356**	**1,191**	**14%**
Total Cash Cost (A$/oz)	**488**	**482**	1%
Gross Margin (A$/oz)	**868**	**709**	22%
Other Investment Activities			
Capital Expenditure (A$/oz) ^	759	3,837	
Exploration/Evaluation (A$/oz) ^	401	631	
Total Other Investment (A$/oz)	**1,160**	**4,467**	
Corporate Expenditure			
Net Finance Cost (Revenue) (A$/oz) ^	139	84	
General Administration (A$/oz) ^	325	467	
Total Corporate Costs (A$/oz)	**464**	**551**	16%
Cash Surplus (Deficit) (A$/oz)	**- 757**	**- 4,309**	82%
Balance Sheet Performance			
Cash Balance (A$m)	0.1	0.4	-80%
Interest Bearing Loans (A$m)	11.1	11.3	-1%
Hedging Liability (A$m)	-	-	
Share Capital			
Shares Outstanding (m)	736.2	736.2	0%
Director Holdings (%)	12.45%	12.45%	
Share Price (A$) (End of Qtr)	0.20	0.31	-35%

^ Capital expenditure, Exploration, Net Finance and General Administration were taken from the Appendix 5B. Please note these costs may not relate specifically to the quarter in question due to timing differences associated with payment.

Citigold (ASX:CTO) continued its focus on development during the March quarter with the goal of increasing accessible working facings over the next 3-6 months. Production remained steady at 2,522oz. Cash costs were also steady at A$488/oz. The average gold price received increased 14% to A$1,356/oz leading to a 22% improvement in gross operating margins.

With the focus on development, investment levels relative to production continues to be high at A$759/oz. Exploration was notably lower at A$401/oz making the total investment spend A$1,160/oz for the quarter. This exceeded the gross margin of A$868/oz. Capital works on the western decline and associated level drives have now reached the new mining area WS19. The company expects these works to increase production levels to 5,000 oz and 15,000 oz in the third and fourth quarters respectively. WS19 has an estimated resource of 65,000 tonnes at 9g/t for 18,000 oz. This forms an integral part of Citigold's production forecast for calendar 2009. In summary, the capital development areas of interest include WS16 and WS19 in the western area of the decline, along with the shallower Sons of Freedom. Stoping from WS19 and Sons of Freedom are anticipated in the final quarter of 2009.

With the emphasis on development, the primary risk for Citigold going forward remains adequate working capital. Capital constraints have already delayed original plans to achieve production rates of 25,000 – 40,000 oz per annum by the third quarter. As we can see above, the present production levels are inadequate to fund ongoing development. Once you add corporate expenditure, including administration and financing costs, this shortfall increases. A successful $5.8m capital raising closed in late April has gone some way to alleviating cost pressures. It is important to note however that $2.3m of the capital raising has already been spent in the March Quarter 09. With 2,500 oz scheduled to be produced again in the June quarter, there is no question things will remain tight.

Citigold's share price fell 35% during the March quarter. This perhaps reflected the tighter trading conditions. It must be said that Citigold's CEO Mark Lynch is no stranger to running the company on modest amounts of capital. The coming months will be a challenging time for both Lynch and the company.

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