CITADEL’S EXPLORATION AND DEVELOPMENT EFFORTS CONTINUE TO DEVELOP THE GOLD ASSETS

CITADEL IS EXPLORING AND DEVELOPING TWO OF ITS MOST PROMISING GOLD PROJECTS – PRELIMINARY EXPLORATION HAS COMMENCED ON SEVERAL OTHERS.

Citadel’s current gold program:

- Resource drilling underway at Jabal Shayban
- Metallurgical testwork for Jabal Sayid Oxide Gold Cap in progress
- Scoping study to Heap Leach the oxide gold cap at Jabal Sayid approx 70% complete
  - Study includes trucking higher grade ore for the first 1.5 years from Shayban to Jabal Sayid to increase grade and tonnes
- Production target for 2010 is 50,000 to 60,000 oz at Jabal Sayid with a heap leach located on the tailings storage facility
- Production increases in late 2011 with a CIL plant at Shayban to a target of 100,000 oz p.a.
- Exploration drilling at Lahuf with 2 rigs on site (located 40kms from Jabal Sayid)
- Exploration drilling at Bari planned for March 2009
- Continued exploration on the porphyry gold projects at Hail

SUMMARY

Citadel Resource Group Limited’s (ASX: CGG – “Citadel” or “the Company”) exploration team are focusing on the Company’s highly prospective gold projects while the development team continue to work on the Jabal Sayid Definitive Feasibility Study. Citadel is currently drilling two advanced gold projects (Jabal Shayban and Lahuf) and expects to start drilling at a third (Bari Project) in a number of weeks. Additionally Citadel has commenced prospect generation and exploration on a further two of its gold projects.

The company’s gold exploration program is two pronged; targeting both large, multi-million ounce gold and precious metal deposits and developing the known deposits that are amenable to cost effective mining and processing in the shorter term.

The Neo-Proterozoic Arabian-Nubian shield has a rich history of gold mining dating back some 3,000 years. Within Saudi Arabia there are more than 1,000 recorded ancient sites of gold and copper mining and in excess of 6,000 documented mineral occurrences. Citadel Resource Group holds a portfolio of ten Exploration Licences including the 50% owned Jabal Sayid Licence, within the Kingdom of Saudi Arabia. Of these ten licence areas, eight are considered to be highly prospective for gold with two having existing gold resources and all having significant historical gold occurrences.
Citadel is targeting large, low & high sulphidation epithermal, porphyry, gold-rich VHMS and mesothermal gold deposits throughout its holdings in Saudi Arabia. Citadel believes the potential of its portfolio to deliver, in the near future, a world class gold deposit to be high and as such is planning an aggressive gold exploration program into 2009-10.

Citadel has already demonstrated that its Saudi gold assets are of high quality. The company has quickly established the credentials of the Jabal Shayban deposit with Citadel quickly expanding and upgrading the known high grade gold zone and now moving quickly towards a scoping study. More detailed information on Jabal Shayban is provided in recent ASX Releases dated 4 February 2009 and 15 January 2009.

**MAHD ADH DHAHAB PROJECT**

The Mahd Adh Dhahab (Cradle of Gold) project area is located 350km NE of Jeddah and is centered around the +5Moz Mahd Adh Dhahab gold mine currently operated by Ma'aden. Strategically the area is well placed being only 40km south of Citadel’s well established Jabal Sayid Copper Gold Project and associated infrastructure. The Mahd area comprises three exploration licence areas;

- Lahuf
- Bari
- Jabal Ram Ram.
Lahuf Gold Project

The Lahuf project area is located 10km along strike from the operating Mahd Adh Dhahab gold mine (+5Moz) and some 40kms south of Citadel’s Jabal Sayid project. Like Mahd Adh Dhahab the Lahuf prospect is easily discernable from the surrounding hills due to its extensive ancient workings, alteration and distinctive outcropping veins and quartz breccias that dominate the landscape. The Lahuf prospect is divided in the three zones; Eastern Vein, Central Breccia and the Western Breccia. Similar to the Mahd Adh Dhahab deposit, the mineralisation is associated with pyrite, chalcopyrite, sphalerite and galena within both the abundant epithermal-textured veins and also the quartz-breccia zones observed at Lahuf.

Citadel currently has two drill rigs operating at the Lahuf project targeting high grade, Mahd Adh Dhahab-like, low-sulphidation epithermal veins. Although no assay data is available for this drilling program as yet Citadel’s RC and diamond drilling programs at Lahuf have already intersected some spectacular mineralised zones such as that shown from LH004DD (presented as inset in figure 4). Visually this style of mineralisation is very encouraging as it is similar to that seen at the nearby Mahd Adh Dhahab gold mine.

Lahuf is an advanced project with potential for the development of a shallow open pit mining operation in the near term with an underground mine to follow. It is also an exciting exploration prospect for Citadel as it has the potential to deliver a major mineralised system being on trend and adjacent to the +5Moz Mahd Adh Dhahab gold mine. Citadel plans to aggressively explore the Lahuf project throughout 2009. Refer to Table 1 for the previous operator’s resource estimate.
Figure 3. Lahuf regional geological setting

Figure 4. Lahuf local geology
Bari

Bari is located 38kms south-east of the Mahd Adh Dhahab gold mine and within 80kms of Citadel’s Jabal Sayid project. It is marked by the presence of a large cluster of ancient gold workings covering an area of 4km by 2km. Within this area 132 ancient workings have been identified as has a significant slag dump containing an estimated 3,000 tonnes of slag indicating the extreme level of ancient mining.

Bari contains several well defined prospect areas; the most advanced Trench 13 and Old Village prospects as well as the Trench 12, P32 and P20 areas that have had lesser amounts of exploration conducted. Supported by recent work where a “vuggy silica” rock chip returned 17.6 g/t Au from the Old Village Area Citadel believes the Bari project to be highly prospective which the Company will aggressively explore in 2009.

Figure 5. Bari project geology

Trench 13 Area (Au – Ag – Zn – Pb - As)

The trench 13 Area is marked by the occurrence of a tight linear cluster of ancient workings that trend east-west. Detailed mapping of the Trench 13 Area revealed evidence of north-south trending structures manifest as shearing, quartz + epidote veins and microdiorite and quartz diorite dykes. Two of the percussion holes drilled under the ancient workings in the 1960’s returned excellent gold intercepts including 39m at 7.32 g/t Au and 1.2% Zn to end of hole from hole P06 and 84m at 6.75 g/t Au returned to end of hole from P10 (see Figure 6.).

Citadel plans to drill a program of up to 5 RC holes to test the previous high-grade gold drill intercepts. Following this initial test a systematic program of ground induced polarization (IP) is planned.
The Hail project consists of two adjacent exploration licences, Jabal Idhkiri West and Jabal Qunnawat South each covering an area of approximately 75km². The project area is located about 650km NNE of Jeddah and 35km E of the town of Hulayfah in the Hail Terrane which constitutes the most northerly portion of the eastern Arabian Shield. Rough tracks provide access to most of the licence areas which consist of discontinuous low rock outcrops separated by wide sand-filled Wadi’s.

The prospects contained within the exploration licences are defined by abundant ancient workings with coincident gold and base-metal anomalies extending over a strike lengths in excess of 14km’s in a NE orientation. Citadel is targeting large porphyry-gold systems within its Hail project.

The Jabal Idhkiri prospect contains 34 ancient workings targeting SW trending auriferous en-echelon quartz veins that cut the calc-alkaline intrusives and Murdama Group metasediments. The main zone of ancient workings and related dump areas covers an area of approximately 100x1200m. In 1985, Riofinex mapped the ancient workings and excavated four trenches across sericite-altered granodiorite outcrops. Thirty three (33) rock chip samples from quartz veins and/or altered wall rocks were collected. The samples averaged 3.2 g/t Au with a maximum value of 25.3 g/t Au derived from altered granodiorite. Despite these significant results, no further exploration work has been undertaken at Idhkiri.
Figure 7. Hail project regional geology.

Figure 8. Idhikiri West prospect local geology
At Jabal Al Qunnawat stream (Wadi) sampling in the vicinity of the ancient workings returned anomalous gold, silver and base metal values over a distance of 8 km along a SW trend. In 1985, Riofinex sampled both vein and wall rocks returning significantly high gold grades of up to 46.6 g/t in a sericite-altered granodiorite. No further exploration has occurred since.

The aeromagnetic data suggest a high exploration potential for porphyry style mineralization at Idhkiri-Al Qunnawat. The abundance of auriferous quartz veins is a common feature in the vicinity of economic porphyry Cu-Au deposits worldwide. Citadel will aggressively explore its Hail project during 2009 searching for large porphyry systems.

**MURAYJIB PROJECT**

The Murayjib project is located 450km north of Jeddah and can be easily accessed 90km north-northeast of Yanbu Al Bahr via a sealed two lane highway. The exploration licence covers 100km² and contains many ancient gold workings including the more notable examples being Murayjib, Murayjib South, Bil’iwy, Umm Hashayim and Umm Hafrah. These workings are aligned in a general north – south orientation over an area 20km in length and 5km in width, in line with a regionally significant north-south trending antiform. Structurally controlled swarms of quartz veins occur in elastic rocks and in places such as Murayjib form east-west trending vein swarms that extend over areas up to 800m in length and 400m in width. Throughout the project area gold occurs in quartz veins, hydrothermally altered wall rocks proximal to veins and also as numerous alluvial / colluvial deposits.

*Figure 9. Murayjib Project regional geology*
Murayjib Prospect

The Murayjib prospect is located in the northern half of Citadels Murayjib Project exploration licence area and is marked by the presence of extensive ancient mine workings that cover an area of about 800m east-west and 300m north-south. The gold mining is developed on vertical to steeply dipping east-west trending sheeted quartz vein array; at least 50 veins have been worked by the ancients with evidence of some veins being mined to depths of up to 10m as shown in Figure 10.

This extensive ancient mining was first investigated in 1937-38 by SAMS (Saudi American Mining Syndicate) where they initially undertook a surface grab sampling program over the prospect. This program targeted the remnant quartz veins and associated altered wall rock and returned a peak result of 260 g/t Au with an average return of 5.1g/t Au for the entire program. As part of its reconnaissance/due diligence program Citadel conducted a limited rock chip sampling and mapping program at Murayjib. This program confirmed the gold-bearing quartz veins and associated selvedges with a peak result of 7.38 g/t Au returned from a weakly laminated quartz vein situated on the periphery of an ancient stope. This sampling confirmed previous work and clearly demonstrates the potential of the Murayjib vein system to host high grade gold veins.

Due to the veins occurring at a high frequency and their consistency at surface Murayjib presents as amenable to open cut mining with potential to bulk mine the vein array. The extensive and highly focused vein system, the good sized and well populated cluster of gold occurrences (20kms by 5kms), the numerous high gold grades and the evidence that the vein system extends at depth (SAMS drilling) Murayjib presents an excellent exploration opportunity for Citadel. Citadel plans to conduct geological mapping, spectral mapping and drilling at Murayjib in 2009.

*Photograph Showing a section of the ancient workings at Murayjib*
SUMMARY

Citadel has a strong portfolio of gold and base metal assets and is working on moving these into production. For further information and the complete Gold Report please refer to our website where the document is available for download.

We will be announcing the results of the Jabal Sayid Feasibility Study including the Heap Leach of the Oxide Gold Cap in March 2009. As we are continuing to drill the Shayban and Lahuf gold projects we will announce the results as they become available.
Table 1. Lahuf Resource Estimate (Ma’aden 1999)

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Note 1: The information in this announcement that relates to Exploration Results and Mineral Resources is based on information compiled by Brett Butlin, Exploration Manager, who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Brett Butlin is of member of the Australian Institute of Geoscientists. Brett Butlin is a full time employee of Citadel Resource Group, and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.


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