CITADEL
Resource Group

www.citadelrg.com.au

Citadel Resource Group Limited
ABN - 92 009 727 959

Address: Level 12
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Melbourne, VIC 3000
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1 October 2010

Australian Securities Exchange
Level 45
South Tower Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir/Madam

Please find attached the following documents sent to shareholders today:

1. Letter to shareholders;
2. Notice of Meeting and Explanatory Memorandum; and
3. Independent Expert's Report from Grant Samuel.

Yours faithfully

Sue-Ann Higgins
General Counsel & Company Secretary

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1 October 2010

Dear Shareholder,

Thank you for your ongoing support during the last year. We are proud to report our progress over the last 12 months with highlights including no lost time injuries, completion of the Jabal Sayid Definitive Feasibility Study Report in December 2009, grant of the exploitation (mining) licence for the Jabal Sayid project in May 2010 and the successful capital raising of just over $262 million. We remain on track with the development of our flagship Jabal Sayid project and have generated positive results from many of our other exploration projects. Our annual report is available on our website: www.citadelrg.com.au.

We are pleased to invite you to the Annual General Meeting (**Meeting**), which will be held on Wednesday, 3 November 2010 at 10.30am (Melbourne time) at the Westin Hotel, Executive Room II, 205 Collins Street, Melbourne, Victoria, Australia. After the Meeting we will provide an update on the Jabal Sayid project and other exploration projects which will be followed by morning tea with the Directors and Management.

Enclosed is the Notice of Meeting and Explanatory Memorandum. A proxy form is also enclosed to enable you to vote by proxy on the resolutions proposed at the Meeting. If you wish to vote by proxy, please return the proxy form (using the enclosed reply paid envelope) no later than 10.30am on 1 November 2010.

At the Annual General Meeting, amongst other matters, approval will be sought to the acquisition by Citadel of a further 30% interest in Bariq Mining Limited, the owner of the Jabal Sayid project, taking Citadel's interest in this project to 100%. You will recall that on 25 August 2010, Citadel shareholders approved Citadel acquiring an additional 20% of the project, moving Citadel's interest to 70%. Negotiations continued following this meeting and on 8 September 2010, Citadel announced that it had reached agreement with the owners of the remaining 30%, for the acquisition of that 30%. As the proposed acquisition comprises the acquisition of a substantial asset from a substantial holder of Citadel's securities under the ASX Listing Rules, it is subject to the approval of Citadel's shareholders at the Meeting.

Citadel has obtained an Independent Expert's Report from Grant Samuel on whether the proposed acquisition is fair and reasonable to Citadel's non-associated shareholders. Grant Samuel has concluded in its report that the proposed acquisition is fair and reasonable to Citadel's non-associated shareholders. A copy of the Independent Expert's Report is enclosed.

The consideration payable for the proposed acquisition of US$112.5 million may, at Citadel's election, be cash or a combination of cash and Citadel shares (up to a limit of US$50 million in shares), subject to shareholder approval at the Meeting.

Further detail on the resolutions is set out in the Explanatory Memorandum attached to the Notice of Meeting.

Your Directors believe that owning 100% of the Jabal Sayid project is an excellent result for Citadel and its shareholders. Our Saudi joint venture partners will continue to support the project as significant shareholders in Citadel. Your Directors urge you to vote in favour of the resolutions.

We encourage shareholders to elect to receive shareholder communications electronically as this not only reduces cost to the Company but also provides benefits to the environment. Please complete and return the enclosed form providing you with options in relation to the method of receipt of future communications.
If you have any questions, please do not hesitate to contact Registries Limited on 1300 737 760 or via email on registries@registries.com.au.

Finally, on behalf of the Board I would like to thank you again for your interest and support for your Company and look forward to seeing you at the Meeting on 3 November 2010.

Yours Sincerely,

Ines Scotland
CEO & Managing Director

Citadel Resource Group Limited

Notice of Annual General Meeting

Notice is given that the Annual General Meeting (**Meeting**) of shareholders of **Citadel Resource Group Limited** ABN 92 009 727 959 (**Company**) will be held at the Westin Hotel, Executive Room II, 205 Collins Street, Melbourne, Victoria, Australia on Wednesday, 3 November 2010 at 10.30am (Melbourne time).

Agenda

Ordinary business

Financial Reports

To receive and consider the Company's Annual Financial Report, including the Directors' Report and Auditor's Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities, for the financial year ended 30 June 2010.

1. Remuneration report

To consider and, if thought fit, pass the following advisory resolution:

"That the Remuneration Report for the year ended 30 June 2010 (as set out in the Directors' Report) be adopted."

The vote on this resolution is advisory only and does not bind the Directors or the Company.

2. Re-election of David Regan as a Director

To consider and, if thought fit, pass the following resolution, as an ordinary resolution of the Company:

"That David Regan, who retires by rotation in accordance with Rule 38.1 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

3. Election of Gary Scanlan as a Director

To consider and, if thought fit, pass the following resolution, as an ordinary resolution of the Company:

"That Gary Scanlan, who was appointed as a Director subsequent to the Company's 2009 Annual General Meeting, retires in accordance with Rule 36.2 of the Company's constitution and, being eligible, offers himself for election, be elected as a Director."

Special business

4. Approval of acquisition of a substantial asset under ASX Listing Rule 10.1

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

"That, in accordance with ASX Listing Rule 10.1 and subject to all necessary regulatory approvals and notarisations, the acquisition by the Company (through its controlled subsidiary, Vertex Group (Middle East) WLL CR 55007) of:

- a 20% equity interest in Bariq Mining Limited (**Bariq**) from Abdul Hadi Al Qahtani and Partners Maritime and Oilfield Services Limited CRN 2050002583 (**AQM**); and

- a 10% equity interest in Bariq from Dr Said Al Qahtani (**Dr Said**),

as outlined in the accompanying Explanatory Memorandum (**Proposed Acquisition**), be approved."

Voting exclusion statement

The Company will disregard any votes cast on this resolution by:

- a party to the Proposed Acquisition; and
- any associate of that person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

5. Approval of potential issue of shares under ASX Listing Rule 7.1

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

"That, subject to resolution 4 being passed and for the purpose of ASX Listing Rule 7.1, the potential issue of up to:

- US$40,000,000 worth of fully paid ordinary shares in the Company (**Shares**) to AQM; and

- US$10,000,000 worth of Shares to Dr Said,

on the terms set out in the accompanying Explanatory Memorandum, be approved."

Voting exclusion statement

The Company will disregard any votes cast on this resolution by:

a) a person who may participate in the proposed issue;
b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed; and
c) any associate of (a) or (b) above.

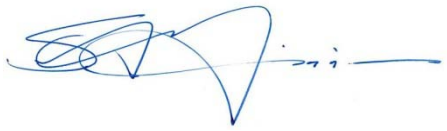
However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

General business

To consider any other business as may be lawfully put forward in accordance with the constitution of the Company.

By order of the board



Sue-Ann Higgins
Company Secretary

30 September 2010

Notes

1. A shareholder who is entitled to attend and vote at the Meeting is entitled to appoint a proxy.

2. A shareholder who is entitled to cast two or more votes at the Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes that each proxy may exercise, each proxy may exercise one half of the shareholder's votes. If more than one proxy is present at the Meeting, neither will be entitled to vote on a show of hands.

3. A proxy need not be a shareholder. A proxy may be an individual or a body corporate.

4. The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be signed by an attorney or executed by the corporation in accordance with the Corporations Act.

5. To be valid, the proxy form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be:

   (a) mailed to the share registry of the Company (Registries Limited) at GPO Box 3993, Sydney, NSW 2001, Australia; or
   (b) delivered to the share registry of the Company (Registries Limited) located at Level 7, 207 Kent Street, Sydney NSW 2000, Australia; or
   (c) successfully transmitted by facsimile to the share registry of the Company (Registries Limited) on 02 9290 9655 (within Australia) or + 61 2 9290 9655 (outside Australia); or
   (d) completed on-line: www.registries.com.au/vote/citadelagm2010,

   so that it is received no later than 48 hours before the commencement of the Meeting (or any adjournment of the Meeting).

6. A shareholder which is a body corporate and entitled to attend and vote at the Meeting, or a proxy which is a body corporate and is appointed by a shareholder entitled to attend and vote at the Meeting, may appoint an individual to act as its representative at the Meeting by providing that person with:

   (a) a letter or certificate, executed in accordance with the body corporate's constitution, authorising the person as its representative; or

   (b) a copy of the resolution, certified by a secretary or Director of the body corporate, appointing the representative.

   A copy of the letter, certificate or resolution, or other evidence satisfactory to the Chairman of the Meeting, must be produced prior to admission to the Meeting.

7. Pursuant to regulation 7.11.37 of the Corporations Regulations, the Directors have determined that the shareholding of each shareholder for the purpose of ascertaining voting entitlements for the Meeting will be as it appears on the Company's share register at 7.00 pm (Melbourne time) on 1 November 2010.

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to Shareholders of **Citadel Resource Group Limited** ABN 92 009 727 959 (**Company**) to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at the Westin Hotel, Executive Room II, 205 Collins Street, Melbourne, Victoria, Australia on Wednesday, 3 November 2010 at 10.30am (Melbourne time).

The Directors recommend Shareholders read the Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined on page 11.

2. Financial Reports

The Company's Annual Financial Report, including the Directors' Report and Auditor's Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities, for the financial year ended 30 June 2010 was released to ASX on 31 August 2010. The Company's Annual Financial Report will be laid before Shareholders at the Meeting. No voting is required for this item. Shareholders will have a reasonable opportunity at the Meeting to ask questions about or make comments on the management of the Company.

The Auditor of the Company is required to attend the Meeting and will be available to take Shareholders' questions about the conduct of the audit, and the preparation and content of the Auditor's Report. Shareholders may forward written questions to the Auditor on these matters for response at the Meeting. These should be emailed to info@citadelrg.com.au or mailed to the Company Secretary at Level 12, 350 Collins Street, Melbourne, Victoria, 3000, Australia, and may be submitted up to 5 business days before the Meeting. The Company is required by law to forward all questions to the Auditor and the Auditor is required to prepare a list of questions that the Auditor considers are relevant to the conduct of the audit and the content of the Auditor's Report. The Auditor may omit questions that are the same in substance to other questions and questions that are not received in a timely manner. At the Meeting, the Chairman will give the Auditor a reasonable opportunity to answer the questions on the question list. The list of questions prepared by the Auditor will be available on the Company's website, www.citadelrg.com.au, prior to the Meeting. In addition, copies of the list of questions will be available at the Meeting. If the Auditor has prepared a written answer to a question, the Chairman may permit the Auditor to table the written answer at the Meeting. If so, the Company will make the written answer available to Shareholders on the Company's website, www.citadelrg.com.au, as soon as practicable after the Meeting.

The Auditor will also be available to take Shareholders' questions at the Meeting regarding accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the Auditor in relation to the conduct of the audit.

3. Resolution 1 - Remuneration Report

The Board submits its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding advisory resolution.

The Remuneration Report is set out in the Directors' Report section of the Company's Annual Financial Report. The Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of Executive Directors and Senior Executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated Senior Executives of the Company; and
- details and explains any performance conditions applicable to the remuneration of Executive Directors and Senior Executives of the Company.

A reasonable opportunity will be provided for Shareholders to ask questions about or make comments on the Remuneration Report at the Meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this resolution is advisory only and does not bind the Directors or the Company.

4. Resolution 2 - Re-election of David Regan as a Director

David Regan retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Director.

Appointed a Director on 18 December 2007, Mr Regan holds a Bachelor of Laws from Sydney University and completed the Program for Management Development at Harvard Business School in 1993. He has significant experience in the resources industry in the Middle East and Northern Africa. He was Vice President (Algeria) and VP Business Development North Africa and Middle East Regions for BHP Billiton from 1996 to 2004. Prior to that he held a number of positions with Arco Coal in the Middle East, North Africa, Australia and USA. Since 2005 Mr Regan has also been acting as a consultant and adviser to companies wishing to invest in resource projects in North Africa.

The Directors (with David Regan abstaining) recommend that you vote in favour of this resolution.

5. Resolution 3 - Election of Gary Scanlan as a Director

Gary Scanlan retires in accordance with the Company's Constitution and, being eligible, offers himself for election as a Director.

Appointed to the Board as a Non-Executive Director in December 2009, Mr Scanlan has a strong mining finance, management and accounting background having started his career with ten years at Price Waterhouse & Co, followed by over twenty five years direct experience in the exploration, evaluation, development, financing and administration of mining projects in Australia and overseas. Mr Scanlan is currently a

director of Castlemaine Goldfields Limited and a non-executive director of Red5 Limited. He has previously worked in executive positions including 18 years with Newcrest Mining Limited and Newmont Mining in Australia. Mr Scanlan is an Associate Chartered Accountant, a Fellow of the Australasian Institute of Mining and Metallurgy and Councillor of the Minerals Council of Australia - Victorian Division.

The Directors (with Gary Scanlan abstaining) recommend that you vote in favour of this resolution.

6. Resolution 4 - Approval of acquisition of a substantial asset under ASX Listing Rule 10.1

Background

As announced on 21 June 2010, the Company's wholly owned subsidiary, Vertex Group (Middle East) WLL (**Vertex**) and Central Mining Company Investments Ltd (**CMCI**) entered into an agreement dated 18 June 2010 under which CMCI agreed, subject to the approval of Shareholders of the Company, to transfer that number of CMCI shares representing a 20% equity interest in Bariq to Vertex (**20% Transfer Agreement**). Following the transfer (**20% Transfer**), Vertex will hold a 70% equity interest in Bariq and CMCI would hold a 30% equity interest in Bariq. Approval of Shareholders of the Company to the 20% Transfer Agreement was obtained on 25 August 2010.

CMCI subsequently decided to withdraw from Bariq by transferring its remaining shares in Bariq to its shareholders, Abdul Hadi Al Qahtani and Partners Maritime and Oilfield Services (**AQM**) and Dr Said J Al-Qahtani (**Dr Said**) (**AQM and Dr Said Transfers**).

On 25 August 2010, each of Vertex, CMCI, AQM and Dr Said resolved to approve the 20% Transfer and the AQM and Dr Said Transfers. Following these transfers, Vertex will hold a 70% equity interest in Bariq, AQM will hold a 20% equity interest in Bariq and Dr Said will hold a 10% equity interest in Bariq. The transfers have been registered with Saudi Arabian General Investment Authority and have been lodged for approval with the Saudi Arabian Ministry of Commerce and Industry (**MOCI**).

On 8 September 2010, the Company announced that agreement had been reached between the Company, Vertex, AQM and Dr Said for Citadel (through Vertex) to move to a 100% equity interest in Bariq (**30% Transfer Agreement**). Under the 30% Transfer Agreement, Vertex will acquire a 20% equity interest in Bariq from AQM and a 10% equity interest in Bariq from Dr Said (**Proposed Acquisition**).

The Proposed Acquisition is subject to a number of conditions precedent including:

(a) approval by the regulatory authorities in Saudi Arabia to the AQM and Dr Said Transfers, which as outlined above is underway; and
(b) approval of the Shareholders of the Company at the Annual General Meeting in accordance with Listing Rules 10.1 and 7.1.

The consideration for the Proposed Acquisition is US$112.5 million. If Shareholder approval is obtained at the Meeting, a deposit of US$12.5 million will be paid to AQM and Dr Said. The balance of the consideration (US$100 million) may be paid in cash or a combination of cash and up to 50% Shares, as determined by Citadel (**Balance Consideration**). The Company has until 30 June 2011 (or such later date as the parties agree) to pay the cash portion of the Balance Consideration into an escrow account, following which the approval of MOCI will be sought to the transfer of the 30%

equity interest and upon notarisation of that approval, the Balance Consideration will be paid (including the issue of any Consideration Shares determined by Citadel to form part of the Balance Consideration).

Effect of the Proposed Acquisition

Under the 30% Transfer Agreement, the Company will acquire from its joint venture partners AQM and Dr Said, a further 30% equity interest in Bariq. As a result, the Company will effectively hold a 100% interest in the Jabal Sayid project.

The Company is already obliged to fund 100% of the costs of development of the Jabal Sayid project in accordance with the 20% Transfer Agreement. The Company has raised in excess of AUD$260 million for this purpose through the accelerated non-renounceable entitlement offer announced on 21 June 2010. The Company has also previously announced that it proposes to establish a project finance facility to raise an additional US$140 million to assist in funding of the project.

Payment of the Balance Consideration may be split into cash and Shares (at the Company's discretion up to 50% of the Balance Consideration) and must be completed by 30 June 2011 unless both parties agree to extend the date. Additional funds will be required by the Company to complete the payment of the consideration under the 30% Transfer Agreement. A number of funding alternatives will be considered by the Board for funding the required cash consideration.

If Shareholders do not approve the resolution or any of the other regulatory approvals or registrations referred to above are not obtained, ownership of Bariq will revert to 70% Vertex, 20% AQM and 10% Dr Said.

Legal / regulatory requirements

Under Listing Rule 10.1, a listed company (or any of its child entities) must not acquire a substantial asset from, or dispose of a substantial asset to, specified persons or companies without the approval of shareholders at a general meeting.

An asset is treated as a substantial asset if its value, or the value of the consideration for it, is 5% or more of the listed company's equity interests as set out in the latest financial statements given to ASX.

The specified persons or companies to whom Listing Rule 10.1 applies includes a substantial holder of the listed company who either alone or together with its associates has, or had at any time in the 6 months prior to the Proposed Acquisition, a relevant interest in at least 10% of the total votes attached to the listed company's voting securities.

The Proposed Acquisition exceeds 5% of the Company's equity interests and is therefore a substantial asset.

As at 11 May 2010, AQM had a relevant interest in approximately 13.1% of the Company's Shares.

Accordingly, Shareholder approval under Listing Rule 10.1 is required because AQM had a relevant interest in more than 10% of the Company's Shares in the 6 months prior to the Proposed Acquisition. The relevant interest of AQM as at 17 September 2010 was 8.1% due to dilution following non-participation in the accelerated non-renounceable pro rata entitlement offer announced by the Company on 21 June 2010.

Independent expert's report

Under Listing Rule 10.10.2, Shareholders must be given an independent expert's report on the Proposed Acquisition. The report must state whether the Proposed Acquisition is fair and reasonable to Non-Associated Shareholders.

The Directors have appointed Grant Samuel to prepare the report to Shareholders.

On the basis of the matters discussed in its report, Grant Samuel has formed the opinion that the Proposed Acquisition is fair and reasonable to Non-Associated Shareholders. Shareholders should read Grant Samuel's report in full. The report accompanies this Explanatory Memorandum.

Recommendation

The Directors unanimously recommend that eligible Shareholders vote in favour of this resolution.

Some Shareholders may not be allowed to vote on this resolution. Please refer to the voting exclusion statement in the Notice of Meeting.

7. Resolution 5 - Approval of potential issue of shares under ASX Listing Rule 7.1

Background

The consideration payable for the Proposed Acquisition is US$112.5 million (**Consideration**). At the election of Vertex (a subsidiary of the Company), the Consideration may be paid in full in cash, or satisfied by a combination of cash and the issue of Citadel Shares worth up to a maximum of US$50,000,000 as follows:

- up to US$40,000,000 worth of Shares to AQM; and
- up to US$10,000,000 worth of Shares to Dr Said,

(together, the **Consideration Shares**).

Subject to resolution 4 being passed at the Meeting, Shareholder approval is sought for the potential issue of any Consideration Shares for the purposes of Listing Rule 7.1.

Legal / regulatory requirements

Listing Rule 7.1 requires shareholder approval for an issue of equity securities if, over a 12 month period, the amount of the equity securities issued is more than 15% of the number of ordinary shares on issue at the start of that 12 month period.

Accordingly, subject to resolution 4 being passed at the Meeting, Shareholder approval is sought for the potential issue of any Consideration Shares, on the terms set out below, to preserve the Company's capacity to issue further equity securities within the 15% limit in a 12 month period without Shareholder approval.

The following information is provided to Shareholders in accordance with the requirements of Listing Rule 7.3. Subject to resolution 4 being passed at the Meeting and Shareholder approval of this resolution:

- a maximum of US$50,000,000 worth of Consideration Shares may be issued to AQM and Dr Said.

- any Consideration Shares will be issued no later than 3 months after the date of the Meeting (or such later date as permitted by ASX).

- the issue price of any Consideration Shares will be a price equivalent to the 10 day volume weighted average price of Shares on the date of payment to AQM and Dr Said of the cash proportion of the consideration under the Share Transfer Agreement.

- any Consideration Shares will be issued to AQM and Dr Said.

- any Consideration Shares will rank pari passu with all other Shares on issue.

- any Consideration Shares will be issued as part consideration for the Proposed Acquisition.

- any Consideration Shares will be allotted no later than 3 months after the date of the Meeting (or such later date as permitted by ASX).

The Directors unanimously recommend that you vote in favour of this resolution.

Definitions

20% Transfer - Has the meaning given in section 6.

20% Transfer Agreement - Has the meaning given in section 6.

30% Transfer Agreement - Has the meaning given in section 6.

AQM - Abdul Hadi Al Qahtani and Partners Maritime and Oilfield Services Limited CRN 2050002583.

AQM and Dr Said Transfers - Has the meaning given in section 6.

Annual General Meeting or **Meeting** - The Annual General Meeting of Shareholders to be held on 3 November 2010 at 10.30am (Melbourne time), or any adjournment thereof.

ASX - ASX Limited.

Auditor - BDO Audit (NSW-VIC) Pty Ltd

Balance Consideration - Has the meaning given in section 6.

Board - The board of directors of the Company as at the date of the Notice.

CMCI - Central Mining Company Investments Ltd.

Company or **Citadel** - Citadel Resource Group Limited ABN 92 009 727 959.

Consideration - Has the meaning given in section 7.

Consideration Shares - Has the meaning given in section 7.

Constitution - The constitution of the Company.

Corporations Act - The *Corporations Act 2001* (Cth).

Directors - The directors of the Company as at the date of the Notice.

Dr Said - Dr Said J Al-Qahtani.

Explanatory Memorandum - This explanatory memorandum accompanying the Notice.

Listing Rules - The listing rules of the ASX.

MOCI - Has the meaning given in section 6.

Non-Associated Shareholders - Shareholders whose votes on resolution 4 are not to be disregarded in accordance with the Listing Rules.

Notice of Meeting or **Notice** - The notice of meeting giving notice to Shareholders of the Annual General Meeting.

Proposed Acquisition - Has the meaning given in section 6.

Share - Fully paid ordinary share in the capital of the Company.

Shareholder - A registered holder of at least one Share.

Share Transfer Agreement - The Share Transfer Agreement dated 8 September 2010 between the Company, AQM, Dr Said and Vertex.

Vertex - Vertex Group (Middle East) WLL CR 55007.

Any inquiries in relation to the resolutions in the Notice or the Explanatory Memorandum should be directed to Sue-Ann Higgins (Company Secretary) at:

Address: Level 12, 350 Collins Street, Melbourne. Victoria. 3000. Australia.
Telephone: +61 (03) 8680 4616

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

LEVEL 6
1 COLLINS STREET MELBOURNE VIC 3000
T: +61 3 9949 8800 / F: +61 3 99949 8838
www.grantsamuel.com.au

21 September 2010

The Directors
Citadel Resource Group Limited
Level 12, 350 Collins Street
Melbourne VIC 3000

Dear Directors

Proposal to Acquire an additional 30% Interest in the Jabal Sayid Project

1 Introduction

Citadel Resource Group Limited ("Citadel") is an Australian resources company. Its assets are a 70% interest in the Jabal Sayid copper/gold project ("Jabal Sayid") in Saudi Arabia and a portfolio of Saudi Arabian development and exploration properties. Listed on the Australian Securities Exchange ("ASX"), Citadel had a market capitalisation of approximately $900 million as at 17 September 2010.

On 8 September 2010, Citadel announced that it had entered into an agreement to acquire the remaining 30% interest in Jabal Sayid from its joint venture partners Abdul Hadi Al Qahtani and Partners for Maritime and Oilfield Services Limited ("AQM**"**) (20%) and Dr Said Al Qahtani ("Dr Said**"**) (10%) ("Proposal"). The consideration for the acquisition of the additional 30% interest is US$112.5 million ("Consideration"). The effective date of the Proposal is expected to be on or around 3 November 2010, upon Citadel shareholder approval of the Proposal. A deposit of US$12.5 million will be payable upon shareholder approval. The balance of the consideration is to be settled on or before 30 June 2011, in cash or (at the election of Citadel) via a combination of cash and shares in Citadel, with a maximum of $50 million to be settled by way of an issue of shares. Any Citadel shares issued will be issued at a price equal to the volume weighted average price for Citadel shares for the ten days before the date of payment of the cash consideration.

One of the vendors of the 30% Jabal Sayid interest is a substantial shareholder of Citadel. Because the Proposal involves the acquisition of a significant asset from a related party, Citadel requires the approval of its shareholders not associated with the vendor shareholder (the "non-associated Citadel shareholders") for the purpose of ASX Listing Rule 10.1. Citadel has engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report in relation to the Proposal. The report will state whether the Proposal is fair and reasonable to the non-associated Citadel shareholders for the purposes of ASX Listing Rule 10.1. A copy of the report will accompany the Explanatory Memorandum to be sent to Citadel shareholders before the meeting at which shareholders will vote on the Proposal.

This letter contains a summary of Grant Samuel's opinion and main conclusions and is extracted from Grant Samuel's full report, a copy of which is attached.

2 Summary of Opinion

Grant Samuel has valued the Jabal Sayid project in the range US$650-750 million, which equates to US$195-225 million for a 30% interest in the project.

The estimated value of a 30% interest in Jabal Sayid is significantly greater than the consideration of US$112.5 million. In addition, the increase in Citadel's interest in Jabal Sayid from 70% to 100% should enhance Citadel's investment appeal and there are other benefits to outright control

of the project. The disadvantages associated with the Proposal are not material. Overall, in Grant Samuel's view, the Proposal is fair and reasonable to the non-associated Citadel shareholders.

3 Key Conclusions

- **Grant Samuel has valued a 30% interest in the Jabal Sayid Project in the range US$195-225 million.**

  Grant Samuel has valued 100% of the Jabal Sayid project in the range US$650-750 million, which implies a value of US$195-225 million for the 30% interest in Jabal Sayid that Citadel will acquire under the Proposal. The valuation represents the estimated full underlying value of the Jabal Sayid project as of 31 October 2010 (ie around the effective date of the Proposal) assuming 100% of the project was available to be acquired.

  The principal approach to valuing the Jabal Sayid project was by discounted cash flow ("DCF") analysis. Grant Samuel appointed AMC Consultants Pty Ltd ("AMC") to provide specialist technical advice to Grant Samuel, including a review of the reserves and resources, development plans, production schedules, operating costs, capital costs, potential reserve extensions and exploration potential of Jabal Sayid. The DCF analysis was based on a financial model developed by Grant Samuel on the basis of two life of mine scenarios provided by AMC. Grant Samuel's valuation range is at the lower end of the range of net present values derived from the DCF analysis. The valuation reflects Grant Samuel's judgement as to specific risks associated with the project that are not captured in the DCF analysis such as development and commissioning risk as well as sovereign risk.

  The valuation range was cross checked against reserve and resources multiples of companies with comparable projects. A direct comparison between the Jabal Sayid project and the comparable companies is problematic because of differences in factors such as cut off grade, development status, location, capital expenditures still to be spent and operating costs. The analysis provides general support for Grant Samuel's valuation of 100% of the Jabal Sayid project in the range US$650-750 million.

  The valuation of Jabal Sayid has been prepared in the context of, and solely for the purpose of analysing, the Proposal. The valuation does not take into account Citadel's development and exploration interests in Saudi Arabia that are not held within Bariq Mining Limited (the joint venture entity). Grant Samuel has not prepared a valuation of Citadel.

  The valuation of Jabal Sayid is based on a number of important assumptions, including assumptions regarding commodity prices. Commodity price expectations and expectations regarding future operating performance can change significantly over short periods of time. Project specific changes (including in the case of Jabal Sayid the completion of financing and substantial progress with project development) can have significant impacts on value. Accordingly, while the values estimated for Jabal Sayid are believed to be appropriate for the purpose of assessing the Proposal, they may not be appropriate for other purposes or in the context of changed market conditions, changed economic circumstances or different operational prospects for Jabal Sayid.

- **The Proposal is on attractive terms for Citadel, even if conservative assumptions are used in the valuation of Jabal Sayid.**

  The Proposal will be fair to the non-associated shareholders of Citadel as long as the value of a 30% interest in the Jabal Sayid project is greater than the value of the Consideration. Grant Samuel's assessment is that the value of a 30% interest in the project significantly exceeds the consideration. Even if significantly more conservative conclusions were reached on the value of Jabal Sayid, as a result of adopting more conservative assumptions regarding long term copper prices or through forming more pessimistic views on the development and sovereign risks facing the project, it is likely that the Proposal would continue to be fair.

- **The value of Jabal Sayid is likely to increase once the project commences production and various risks are mitigated**

  The Jabal Sayid project is currently subject to a range of risks including construction, commissioning and sovereign risk. As the project's construction is completed and production commences, these risks will diminish or disappear and the value of Jabal Sayid can be expected to increase, perhaps significantly. In addition, Citadel is currently examining options to expand Jabal Sayid. Expansion of the project could potentially result in a material increase in its value.

- **The Proposal is fair and reasonable to the non-associated Citadel shareholders.**

  Grant Samuel has concluded that the value of the 30% interest in Jabal Sayid to be acquired by Citadel is significantly greater than the consideration. On this basis, the Proposal is fair.

  In Grant Samuel's view the acquisition has further benefits for Citadel. In particular:

  - the increase in Citadel's interest in Jabal Sayid from 70% to 100% should enhance Citadel's investor appeal;
  - 100% ownership of Jabal Sayid may provide benefits to Citadel in terms of increased flexibility in relation to future expansions of Jabal Sayid or the funding of other growth in Saudi Arabia; and
  - while a deposit of US$12.5 million is payable on shareholder approval of the Proposal, the balance of the consideration (US$100 million) is only payable on or before 30 June 2010. The present value of the consideration is therefore less than US$112.5 million.

  There are some disadvantages:

  - Citadel does not currently have the financial resources to fund the balance of the consideration and will have to raise additional equity or debt. On the other hand, it has approximately eight months to arrange the necessary funding, and can choose to fund up to US$50 million of the consideration through the issue of shares to the vendors; and
  - it is often beneficial to have local partners in an offshore business venture and Citadel will lose this benefit as a result of the Proposal. On the other hand, the vendors of the 30% project interest will continue to be shareholders in Citadel (at least in the short term) and the benefit of having local partners in Jabal Sayid will arguably diminish as the project progresses towards production.

  The disadvantages are not material. Overall, given the valuation analysis, the benefits of the Proposal for Citadel are compelling. Accordingly, in Grant Samuel's view the Proposal is fair and reasonable to the non-associated Citadel shareholders.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Citadel shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Memorandum issued by Citadel in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Citadel. This is an investment decision independent of a decision on whether to vote for or against the Proposal upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Financial Services Guide
and
Independent Expert's Report
in relation to the Proposal for
Citadel Resources Group Limited to acquire the remaining 30% interest in the Jabal Sayid Project

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

21 September 2010

GRANT SAMUEL

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Citadel Resources Group Limited ("Citadel") in relation to the acquisition of an addition 30% interest in the Jabal Sayid project located in Saudi Arabia ("the Citadel Report"), Grant Samuel will receive a fixed fee of $100,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 7.3 of the Citadel Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 October 2007. The following information in relation to the independence of Grant Samuel is stated in Section 7.3 of the Citadel Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Citadel or AQM that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.*
>
> *Grant Samuel prepared an independent expert's report (dated 19 July 2010) in relation to a previous transaction whereby Citadel increased its interest in Jabal Sayid from 50% to 70%.*
>
> *Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.*
>
> *Grant Samuel will receive a fixed fee of $100,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Citadel Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3, Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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1 Details of the Offer/Terms of the Proposal

Citadel Resource Group Limited ("Citadel") has an effective 70% interest in the Jabal Sayid copper-gold project ("Jabal Sayid") in Saudi Arabia. The remaining interests are held by Citadel's Saudi joint venture partners, Abdul Hadi Al Qahtani and Partners for Maritime and Oilfield Services Limited ("AQM") (20%) and Dr Said Al Qahtani ("Dr Said") (10%). Citadel, AQM and Dr Said hold their interests through shareholdings in Bariq Mining Limited ("Bariq"). Bariq holds the legal title to Jabal Sayid and has no material assets or liabilities other than those related to the project.

On 8 September 2010, Citadel announced that it had entered into an agreement with AQM and Dr Said to acquire the remaining 30% interest in Jabal Sayid ("Proposal"). The Proposal will be given effect by Citadel's acquisition of the 30% of the shares in Bariq that it does not already own. The consideration for the acquisition of the additional 30% interest is US$112.5 million ("Consideration"). The effective date of the Proposal is expected to be on or around 3 November 2010, upon Citadel shareholder approval of the Proposal. A deposit of US$12.5 million will be payable upon shareholder approval. The balance of the consideration is to be settled on or before 30 June 2011, in cash or (at the election of Citadel) via a combination of cash and shares in Citadel, with a maximum of $50 million to be settled by way of an issue of shares. Any Citadel shares issued will be issued at a price equal to the volume weighted average price for Citadel shares for the ten days before the date of payment of the cash consideration.

AQM and Dr Said have shareholdings in Citadel of approximately 8.1% and 1.9% respectively.

The Proposal is subject to conditions precedent including the approval of Citadel's shareholders in General Meeting in accordance with Listing Rule 10.1, which includes a requirement for an independent expert's report setting out the expert's opinion as to whether the Proposal is fair and reasonable to Citadel's shareholders not associated with AQM.

2 Scope of the Report

2.1 Purpose of the Report

In accordance with Listing Rule 10.1, the Proposal is subject to the approval of Citadel shareholders because Citadel is proposing to acquire an asset worth more than 5% of its net assets from a substantial holder.

Listing Rule 10.1 prohibits an entity from acquiring an asset worth more than 5% of its net assets from a substantial holder without the approval of non-associated Citadel shareholders. As at 11 May 2010, AQM had a relevant interest in approximately 13.1% of the shares in Citadel. (This shareholding has subsequently been diluted as a result of AQM's non-participation in the entitlement offer announced by Citadel on 21 June 2010.) Because AQM had a relevant interest in more than 10% of the shares in Citadel in the six months preceding the Proposal, it qualifies as a substantial holder for the purposes of Listing Rule 10.1. A 30% interest in Jabal Sayid is worth more than 5% of Citadel's net assets. Therefore, the Proposal requires the approval of shareholders not associated with AQM (the "non-associated Citadel shareholders"). Listing Rule 10.10 requires the notice of meeting at which such approval is sought to include an independent expert's report on whether the transaction is fair and reasonable to the non-associated Citadel shareholders.

The directors of Citadel have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report for the purposes of Listing Rule 10.1 stating whether, in Grant Samuel's opinion, the Proposal is fair and reasonable to the non-associated Citadel shareholders.

The valuation of Jabal Sayid has been prepared in the context of, and solely for the purpose of analysing, the Proposal. The valuation does not take into account Citadel's development and exploration interests in Saudi Arabia that are not held within Bariq. Grant Samuel has not prepared a valuation of Citadel.

The valuation of Jabal Sayid is based on a number of important assumptions, including assumptions regarding commodity prices. Commodity price expectations and expectations regarding future operating performance can change significantly over short periods of time. Project specific changes (including in the case of Jabal Sayid the completion of financing and substantial progress with project development) can have significant impacts on value. Accordingly, while the values estimated for Jabal Sayid are believed to be appropriate for the purpose of assessing the Proposal, they may not be appropriate for other purposes or in the context of changed market conditions, changed economic circumstances or different operational prospects for Jabal Sayid.

A copy of the report is to accompany the Notice of Meeting and Explanatory Memorandum ("the Explanatory Memorandum") to be sent to shareholders by Citadel. The full report will also be available on the Citadel website.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Citadel shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Memorandum issued by Citadel in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Citadel. This is an investment decision independent of a decision to vote for or against the Proposal upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

Neither the ASX nor the Australian Securities & Investments Commission ("ASIC") provide specific guidance as to the analysis required in assessing whether a proposed transaction is fair and reasonable to the non-associated Citadel shareholders for the purposes of Listing Rule 10.1. However, ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), it comments on the meaning of "fair and reasonable" and continues earlier regulatory guidelines that created a distinction between "fair" and "reasonable". For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders.

Listing Rule 10.1 applies to transactions between an entity and persons in a position to influence the entity. In certain circumstances (including in relation to the Proposal), such transactions do not require shareholder approval under the Corporations Act. Nevertheless, Grant Samuel considers it appropriate to apply the guidance set out in ASIC Regulatory Guide 111 to the Proposal.

The Proposal involves the acquisition by Citadel of a significant asset from substantial shareholders, AQM and Dr Said. The Proposal is not a control transaction from the perspective of Citadel shareholders. The key issue for Citadel shareholders is to assess whether the Consideration payable under the Proposal is no more than the consideration that Citadel would pay in an arm's length transaction with an unrelated party. This essentially involves a comparison of the Consideration with the estimated underlying value of the 30% Jabal Sayid interest to be acquired. This comparison is analogous to the approach typically adopted in analysing control transactions for the purpose of assessing whether they are fair and reasonable.

Grant Samuel has determined whether the Proposal is fair by comparing the assessed value of the Consideration with the estimated underlying value of a 30% stake in the Jabal Sayid project. The Proposal will be fair if the value of the Consideration is less than or equal to the estimated full underlying value of a 30% interest in the Jabal Sayid project. If the Proposal is fair it will, by definition, be on terms consistent with the terms on which a transaction with an arm's length third party might be concluded.

If the Proposal is fair it will also be reasonable (except in the unusual circumstance that there are other significant disadvantages that outweigh the benefit represented by the acquisition of a significant asset at a price that is less than or equal to its arm's length value). The Proposal could be not fair but nonetheless reasonable if there were significant advantages that compensated for the fact that the price to be paid was more than the fair value of a 30% stake in The Jabal Sayid project.

In considering whether the Proposal is reasonable, the factors that have been considered include:

- whether the Proposal is fair;
- Citadel's option to settle up to $50 million of the consideration through the issue of Citadel shares;
- the potential impact on the capital structure of Citadel of the Proposal; and
- other advantages and disadvantages for Citadel shareholders of approving the Proposal.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Explanatory Memorandum (including earlier drafts);
- annual reports of Citadel for the two years ended 30 June 2009 and annual financial statements for the year ended 30 June 2010;
- quarterly reports of Citadel for the two and a half years ending 30 June 2010;
- press releases, public announcements, media and analyst presentation material and other public filings by Citadel including information available on its website;
- brokers' reports and recent press articles on Citadel and the copper industry; and
- sharemarket data and related information on Australian and international listed companies engaged in the copper industry.

Non Public Information provided by Citadel

- life of mine plans for Citadel's Jabal Sayid asset;
- Jabal Sayid financial model which has been developed for debt financing purposes;
- Definitive Feasibility Study for the Jabal Sayid project; and
- other confidential documents, board papers, presentations and working papers.

In preparing this report, representatives of Grant Samuel visited the Jabal Sayid, Jabal Shayban and Lahuf projects in Saudi Arabia. Grant Samuel has also held discussions with, and obtained information from, senior management of Citadel. The Jabal Shayban and Lahuf projects have not been valued as part of this report.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Citadel. Grant Samuel has considered and relied upon this information. Citadel has represented in writing to Grant Samuel that to its knowledge the information provided by it was complete and not incorrect or misleading in any material aspect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposal is fair and reasonable having regard to the interests of the non-associated Citadel shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert. In this context, Grant Samuel advises that it is not in a position nor is it practicable to undertake its own "due diligence" investigation of the type undertaken by accountants, lawyers or other advisers

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Citadel. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

AMC Consultants Pty Ltd ("AMC") was appointed to provide specialist technical advice to Grant Samuel and to prepare a specialist's technical assessment report in relation to Citadel's exploration interests. AMC's review included a review of the reserves, development plans, production schedules, operating costs, capital costs, potential reserve extensions and exploration activities. The report prepared by AMC is attached to and forms part of this report.

The information provided to Grant Samuel and AMC included mine development plans, forecasts and feasibility studies for Citadel's key assets. Citadel is responsible for the information contained in the mine development plans, forecasts and feasibility studies ("the forward looking information"). Grant Samuel and AMC have considered and, to the extent deemed appropriate, relied on this information for the purpose of their analysis.

On the basis of the information provided to Grant Samuel and AMC, and the review conducted by Grant Samuel and AMC of such information, Grant Samuel and AMC have concluded that the forward looking information was prepared appropriately and accurately based on the information available to management at the time and within the practical constraints and limitations of such forward looking information. Grant Samuel and AMC have concluded that the forward looking information does not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise. However, the achievability of the forward looking information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are not necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable. Moreover, the forward looking information provided by Citadel was not originally generated for, and may not be appropriate in the context of, a valuation of the copper assets of Citadel.

Accordingly, AMC conducted a detailed review of the significant assumptions and technical factors underlying the forward looking information provided by Citadel to AMC and Grant Samuel. This review included a review of the basis on which mineral resources and ore reserves have been estimated, a review of likely future operating and capital costs, a review of likely future copper recovery rates, a review of the potential for the conversion of mineral resources to ore reserves and the potential to mine mineralisation not currently in ore reserves, a review of environmental factors and such other reviews as AMC deemed appropriate. Having regard to these reviews, AMC made independent judgements regarding the technical assumptions that can reasonably be adopted for the purposes of the valuation of the copper assets of Citadel ("technical valuation assumptions").

As part of its analysis, Grant Samuel has developed cash flow models on the basis of the technical valuation assumptions deemed appropriate by AMC. Grant Samuel has reviewed the sensitivity of cash flow models to changes in key variables. The sensitivity analysis isolates a limited number of assumptions which are inputs to the cash flow model and shows the impact of the expressed variations occurring. Actual variations may be greater or less than those modelled. In addition to

not representing best and worst case outcomes, the sensitivity analysis does not, and does not purport to, show all the possible variations to the business model.

The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the sensitivity analysis;
- variations to the assumptions greater or less than those considered in the sensitivity analysis; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In preparing this report, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Explanatory Memorandum sent by Citadel to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with their terms; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 Profile of Citadel

3.1 Background

Citadel is an emerging Australian base metals and gold company listed on the Australian Securities Exchange ("ASX"). Citadel was formerly known as ADV Group Limited ("ADV"). ADV held minority investments in various groups and owned a number of medical imaging centres across Australia. ADV progressively sold these medical centres and switched its focus to mining over 2006 and 2007. ADV's shareholders approved the change in business activities, the acquisition of a 50% interest in the Jabal Sayid project and 100% of a number of other exploration projects, all in Saudi Arabia, and the change of company name to Citadel Resource Group Limited at an Extraordinary General Meeting of Shareholders on 27 November 2007. Citadel recommenced trading on ASX on 17 December 2007.

On 21 June 2010 Citadel announced that it had reached an agreement to increase its interest in Jabal Sayid to 70% (in consideration for funding the development costs for the remaining 30% interest). Citadel's mineral assets are as follows:

Citadel - Key Assets at 30 June 2010[1]

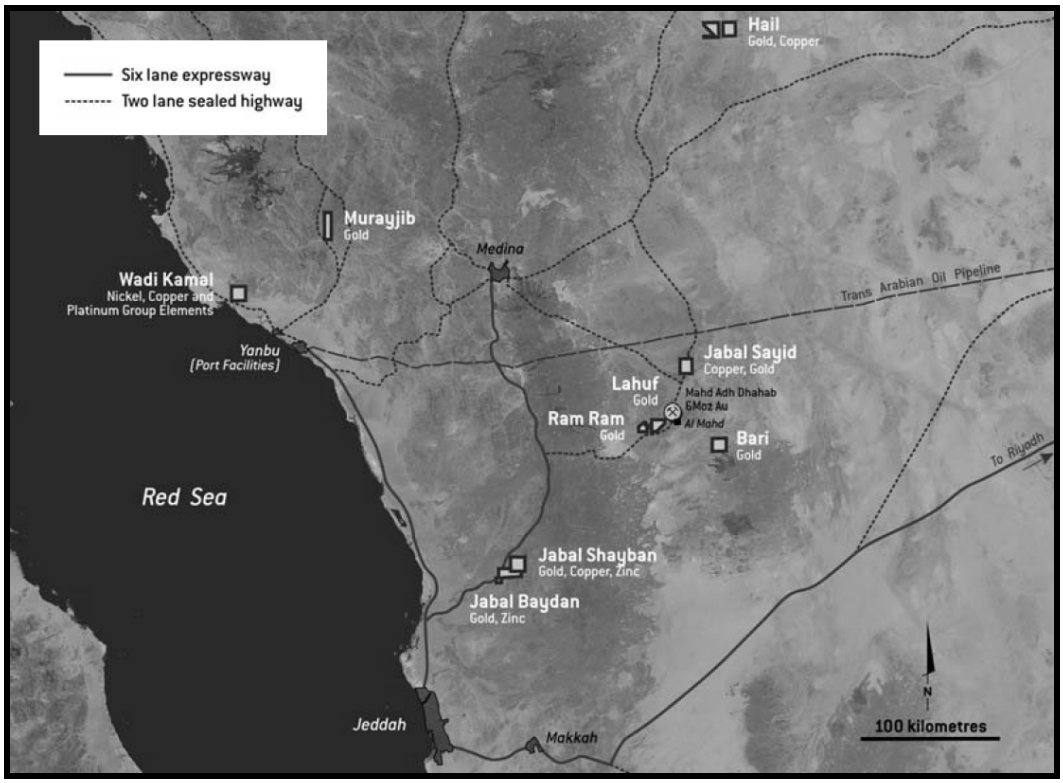
			Mineral Resources				Ore Reserves		
Asset/Project	**Interest**	**Status**	**Cu (kt)**	**Au (Moz)**	**Ag (Moz)**	**Zn (kt)**	**Cu (kt)**	**Au (Moz)**	**Ag (Moz)**
Jabal Sayid	70%	Development	357	0.1	4.6	-	270	0.1	3.4
Jabal Shayban	100%	Exploration	32	0.4	4.6	67	-	-	-
Mahd Adh Dhahab									
- Lahuf	100%	Exploration	-	0.1	-	-	-	-	-
- Bari	100%	Exploration	-	-	-	-	-	-	-
- Ram Ram	100%	Exploration	-	-	-	-	-	-	-
Hail	100%	Exploration	-	-	-	-	-	-	-
Murayjib	100%	Exploration	-	-	-	-	-	-	-
Wadi Kamal	100%	Exploration	-	-	-	-	-	-	-
Total			**389**	**0.6**	**9.2**	**67**	**270**	**0.10**	**3.45**

Source: Citadel

The Mineral Resources at Lahuf were defined by the Saudi Arabian Mining Company ("Ma'aden") in 1999 and have not been updated since then, although exploration continues.

[1] Reserves and resources represent Citadel's attributable share at 30 June 2010 and before the implementation of the Proposal.

Citadel's activities are located in western Saudi Arabia, a few hundred kilometres from Saudi Arabia's main Red Sea commercial hub, Jeddah, and the deep water port of Yanbu:



Source: Citadel

3.2 Overview of the Mining Industry in Saudi Arabia

The Kingdom of Saudi Arabia is an Arab and Islamic sovereign monarchy with a legal system based on the Islamic Shari'ah. Saudi Arabia is the biggest country in the Middle East, with a land mass approximately one quarter that of Australia's. It enjoys a politically stable environment and has minimal security issues. It has a population in excess of 28 million, of which 20-25% are foreign nationals.

Saudi Arabia is one of the 25 largest economies in the world and is the largest economy in the Arab World. The country holds in excess of 20% of the world's proven oil reserves and the petroleum sector accounts for more than 30% of gross domestic product and 85-90% of exports. Although adversely affected by low oil prices in 2009, Saudi Arabia generally enjoys a strong economic position with a government budget in surplus, a positive current account balance, large foreign currency reserves and low external indebtedness.

Saudi Arabia is a member of the G20 Economic Forum and joined the World Trade Organisation in 2005. It has been ranked within the top tier of countries in terms of providing a favourable business environment and has an investment grade credit rating. The government is promoting economic reform and diversification to generate growth, reduce Saudi Arabia's reliance on oil revenue and generate employment for its youthful population. The infrastructure of the country is of good quality and a focus of the Kingdom's development drive.

The western half of Saudi Arabia is covered by the Arabian Shield, which extends on both sides of the Red Sea. The Arabian Shield is made up of large scale volcanic fold belts, granite complexes and late dykes, or sheet intrusions. Gold, copper and zinc mineralisation is commonly found in the region and a number of significant deposits have been identified. Gold was first mined in Saudi Arabia approximately 4,000 years ago and there are more than 1,000 ancient copper and gold mines in the country. Modern exploration for minerals started in the 1960s and has resulted in a

better understanding of the country's geology and the identification of a number of prospects. However, total exploration expenditure in the last 40 years represents less than one year's worth of exploration in Western Australia and many of the prospects have not been investigated beyond first-pass exploration. Overall, while the country is geologically highly prospective, it is largely unexplored for minerals and the mining sector is still in its infancy.

There are currently five operating precious metal mines in Saudi Arabia, all owned and operated by Ma'aden. There are numerous industrial mineral mines owned by a number of Saudi companies and the Al Jalamid phosphate mine owned by Ma'aden. The Mahd Adh Dhahab mine, located approximately 30 kilometres from Jabal Sayid, is the largest gold mine in Saudi Arabia and is believed to have yielded six million ounces to date. A number of other base metals and other minerals projects are being developed by Ma'aden and various other Saudi private sector and government companies.

A new Mining Investment Law based on western standards came into affect in January 2005 to promote the development of the mining sector. In particular, the Mining Investment Law ensures certainty of tenure from exploration to exploitation and allows 100% foreign ownership and full repatriation of profits with no mineral royalties. Citadel's subsidiary Bariq is the first Saudi company with a substantial foreign shareholder to be issued an exploitation (mining) licence and the first company, Saudi or foreign, to be issued an exploitation (mining) licence under the new regime.

3.3 Financial Performance

The financial performance of Citadel for the three years ended 30 June 2010 is summarised below:

Citadel – Financial Performance ($ 000's)

	Year ended 30 June		
	2008	**2009**	**2010**
Sundry income	31	58	112
EBITDA[2]	**(6,800)**	**(12,514)**	**(15,808)**
Depreciation and amortisation (excluding goodwill)	(49)	(233)	(355)
EBIT[3]	**(6,849)**	**(12,747)**	**(16,163)**
Net interest revenue / (expense)	303	1,014	(172)
Impairment of non-current assets	-	(84,963)	-
Loss before tax from continuing operations	**(6,546)**	**(96,696)**	**(16,335)**
Income tax credit / (expense)	-	16,992	(2,531)
Loss after tax from continuing operations	**(6,546)**	**(79,703)**	**(18,886)**
Loss from discontinued operations	(79)	-	-
Loss after tax	**(6,625)**	**(79,703)**	**(18,886)**
Outside equity interests	(4)	(34,973)	(3,231)
Loss after tax attributable to Citadel shareholders	**(6,542)**	**(44,731)**	**(15,635)**
Basic earnings per share (cents)	*(2.0)*	*(4.0)*	*(1.0)*

Source: Citadel

Citadel has had no operating earnings since it divested its medical imaging business, as its mining-related activities to date have consisted of exploration and project development. The $85.0 million charge for impairment of non-current assets in the year ended 30 June 2009 related to Jabal Sayid and reflected the lower copper prices prevailing at that time.

[2] EBITDA is earnings before net interest, tax, depreciation and amortisation, investment income, and significant and non-recurring items.

[3] EBIT is earnings before net interest, tax, investment income, and significant and non-recurring items.

3.4 Financial Position

The financial position of Citadel as at 30 June 2010 is summarised below:

Citadel – Financial Position ($ 000's)	
	As at 30 June 2010
Receivables	1,241
Payables and provisions	(31,103)
Net working capital	**(29,862)**
Exploration and evaluation assets	25,578
Plant and equipment	237,334
Intangibles	504
Tax payable	(2,606)
Deferred tax liabilities	(14,584)
Other liabilities (net)	(188)
Total funds employed	**216,176**
Cash and cash equivalents	259,479
Net assets	**475,655**
Outside equity interests	112,759
Equity attributable to Citadel shareholders	**362,896**
Statistics	
Net assets per share – fully paid shares (cents)	*17.0*
NTA[4] per share – fully paid shares (cents)	*17.0*

Source: Citadel

Citadel's financial position reflects the company's focus on exploration and development:

- exploration and evaluation assets represent acquisition and exploration costs associated with Citadel's exploration interests (ie not including Jabal Sayid) in Saudi Arabia;
- plant and equipment includes costs attributable to the Jabal Sayid mine under construction, including acquisition, feasibility study and other development costs but after taking into account an impairment charge in the year ended 30 June 2009; and
- net cash at 30 June 2010 of $259.5 million reflects the Institutional Offer component of a non-renounceable entitlement offer that raised gross proceeds of $250.8 million in late June 2010. In early July 2010 Citadel raised a further $11.2 million through the Retail Offer component of the entitlement offer (although this is not included in the balance sheet above).

[4] NTA is net tangible assets, which is calculated as net assets less intangible assets.

3.5 Cash Flow

Citadel's cash flows for the three years ended 30 June 2010 are summarised below:

Citadel – Cash Flow ($ 000's)			
	Year ended 30 June		
	2008	2009	2010
EBITDA	**(6,800)**	**(12,514)**	**(15,808)**
Changes in working capital and other adjustments	3,860	2,694	1,768
Capital expenditure (net)	(5,132)	(17,814)	(24,366)
Operating cash flow	**(8,072)**	**(27,634)**	**(38,406)**
Acquisitions (net of cash)	(719)	-	-
Proceeds from share issues (net of costs)	31,755	22,616	272,783
Net interest received / (paid)	259	1,258	83
Tax paid	-	-	-
Other	(888)	-	(313)
Net cash generated (used)	**22,335**	**(3,760)**	**234,147**
Cash – opening	*5,776*	*27,981*	*25,193*
Exchange rate movements	*(129)*	*971*	*(174)*
Net cash (borrowings) – closing	*27,981*	*25,193*	*259,166*

Source: Citadel

Over the last three years, Citadel has financed its activities through equity raisings. The Institutional Offer component of a non-renounceable entitlement offer raised gross proceeds of $250.8 million in late June 2010.

3.6 Taxation Position

Under the Australian tax consolidation regime, Citadel and its wholly owned Australian resident entities have elected not to be taxed as a single entity.

Citadel has carried forward income tax losses of approximately $8.5 million (gross amount) as at 30 June 2010, no carried forward capital tax losses and no accumulated franking credits. Bariq has carried forward losses of SAR5,119,806 (on a 100% basis). At an exchange rate of US$1.00=SAR3.74, Bariq's tax losses total US$1,368,932.

3.7 Capital Structure and Ownership

As at 14 September 2010, Citadel had the following securities on issue:

- 2,367,460,116 ordinary shares on issue;
- 59,239,270 unlisted options over unissued ordinary shares; and
- 1,189,259 unlisted performance rights.

Each option on issue is exercisable into one ordinary share and until such exercise has no dividend entitlement or voting right. Options become exercisable on a date set by the directors. Employee options lapse on termination of employment or on the expiry date and director options lapse on the expiry date.

Citadel – Options on Issue as at 14 September 2010		
Expiry Date	**Exercise Price**	**Issued Options**
31 Dec 2010	$0.1968	41,500,000
1 Aug 2013	$0.3468	10,000,000
27 Nov 2014	$0.2968	1,000,000
11 Jun 2014	$0.2404	6,739,270
Total		**59,239,270**

Source: Citadel

The options with the strike price of $0.30 are exercisable in four equal tranches of 250,000 options as follows:

- Tranche 1 when the average of the daily volume weighted average price ("VWAP") of the fully paid ordinary shares in the company sold on the ASX for 10 consecutive trading days equals or exceeds $0.35;
- Tranche 2 when the average of the daily VWAP of the fully paid ordinary shares in the company sold on the ASX for 10 consecutive trading days equals or exceeds $0.45;
- Tranche 3 when the average of the daily VWAP of the fully paid ordinary shares in the company sold on the ASX for 10 consecutive trading days equals or exceeds $0.55; and
- Tranche 4 when the average of the daily VWAP of the fully paid ordinary shares in the company sold on the ASX for 10 consecutive trading days equals or exceeds $0.65.

At 14 September 2010 there were 3,042 registered shareholders in Citadel. The top ten shareholders accounted for approximately 79% of the ordinary shares on issue:

Citadel – Major Shareholders as at 14 September 2010		
	Number of Shares	**Percentage**
National Nominees Limited	418,824,865	17.7
ANZ Nominees Limited <Cash Income A/C>	342,607,381	14.5
J.P. Morgan Nominees Australia Limited	298,751,005	12.6
Citicorp Nominees Ptt Limited	274,367,020	11.6
Abdul Hadi Al Qahtani and Partners Maritime and Oilfield Services Limited	191,460,011	8.1
HSBC Custody Nominees (Australia) Limited	140,339,531	5.9
Bahrain Investments Pty Ltd <Bahrain Investments A/C>	92,833,334	3.9
Said Jubran Al Qahtani	44,847,302	1.9
RBC Dexia Investor Services Australia Nominees	34,287,098	1.4
Cogent Nominees Pty Limited	32,5895,740	1.4
Subtotal – Top 10 shareholders	**1,870,913,287**	**79.0**
Other shareholders	496,546,829	21.0
Total	**2,367,460,116**	**100.0**

Source: Citadel

Citadel has received notices from the following substantial shareholders:

Citadel – Substantial Shareholders as at 14 September 2010			
Shareholder	**Date of Notice**	**Number of Shares**	**Percentage**
Quest Asset Partners Pty Ltd	5 July 2010	120,259,431	5.1%
Commonwealth Bank of Australia	5 July 2010	3119,459,938	13.7%
Blackrock Investment management	7 July 2010	146,912,562	6.3%
Abdul Hadi Al Qahtani and Partners Maritime and Oilfield Services Limited	15 July 2010	191,460,011	8.2%

Source: Citadel

3.8 Share Price Performance

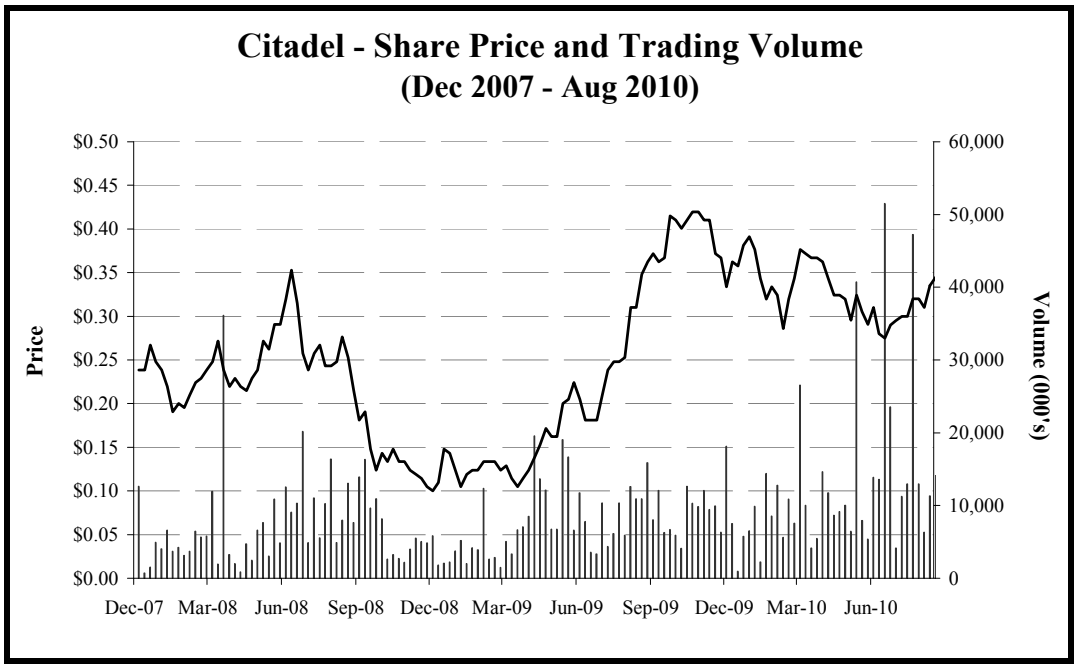
A summary of the price and trading history of Citadel since its reinstatement to official quotation on 17 December 2007 is set out below:

Citadel - Share Price History					
	Share Price ($)			**Average Weekly Volume (000's)**	**Average Weekly Transactions**
	High	**Low**	**Close**		
Year ended 31 December					
2007[5]	0.30	0.23	0.24	6,063	150
2008	0.39	0.10	0.13	9,348	201
2009	0.44	0.10	0.36	8,201	409
Quarter ended					
31 March 2010	0.41	0.27	0.37	9,460	484
30 June 2010	0.38	0.24	0.27	12,766	622
Month ended					
31 July 2010	0.32	0.25	0.30	12,780	601
31 August 2010	0.36	0.29	0.34	13,317	722
Week ended					
3 September 2010	0.35	0.33	0.35	14,086	718
10 September 2010	0.39	0.35	0.38	35,525	1,296

Source: IRESS

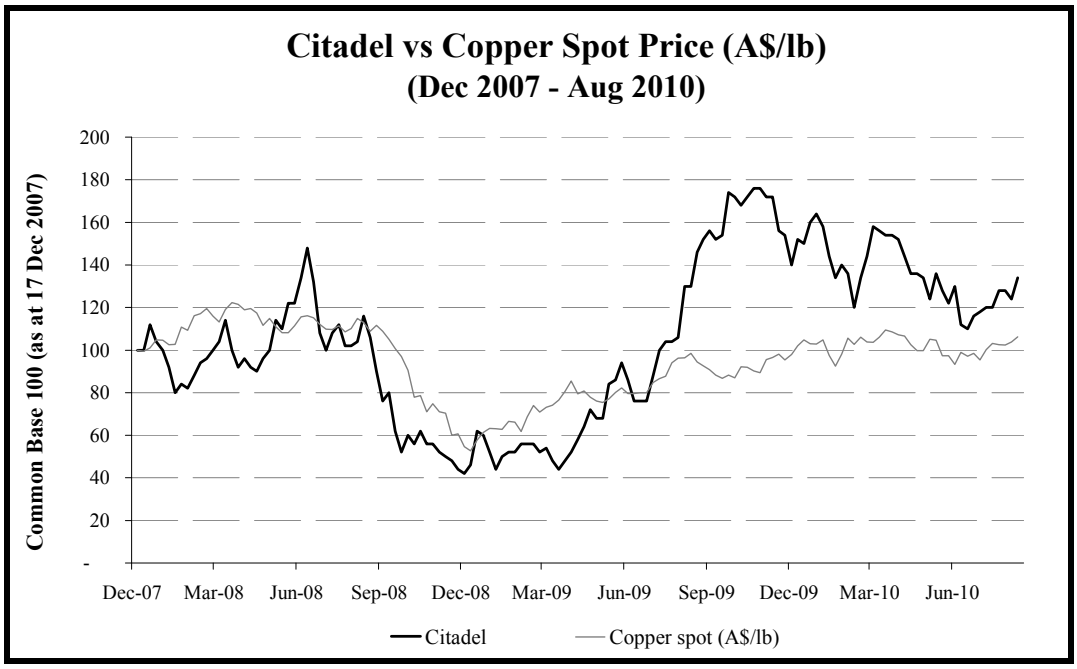
The following graph illustrates the movement in Citadel share price and trading volumes since its reinstatement to official quotation on 17 December 2007:

[5] Relates to the period from 17 December 2007 to 31 December 2007.



Source: IRESS

The following graph illustrates the performance of Citadel's shares since 17 December 2007 relative to the copper spot price expressed in Australian dollars:



Source: Bloomberg

Between its reinstatement to official quotation and June-July 2009, Citadel's shares have broadly traded in line with the A$ copper price. Since then, Citadel shares have slightly outperformed the copper price. Over that period, Citadel announced positive drilling results, in particular at Jabal Sayid and Jabal Shayban, the signing of a concentrate off-take agreement for approximately 20% of the expected production of Jabal Sayid and the completion of a definitive feasibility study for Lodes 2 and 4, the commencement of a scoping study for Lode 1 and the grant of a mining licence at Jabal Sayid. After weakening around the time of the entitlement issue, Citadel shares have since strengthened in line with the copper price and have recently traded as high as $0.39.

4 Profile of Citadel's Mining Assets

4.1 Jabal Sayid

The Jabal Sayid copper-gold project is located 350 kilometres north-east of the Red Sea port city of Jeddah, the commercial capital of Saudi Arabia, and 120 kilometres south-east of Medina. Access is via a sealed road to within 600 metres of the boundary of the tenement and two kilometres from the proposed site of the plant. The Jabal Sayid deposit was discovered in 1965 by the Bureau de Recherches Géologiques et Minières ("BRGM"), a French geological and geophysical research institute. Various resource estimations and reviews were undertaken by a number of parties before Bariq became involved in 2006. The deposit contains copper, zinc, gold, silver and iron. Citadel completed a Definitive Feasibility Study ("DFS") in December 2009, which was an extension of a feasibility study completed by Bariq in February 2009.

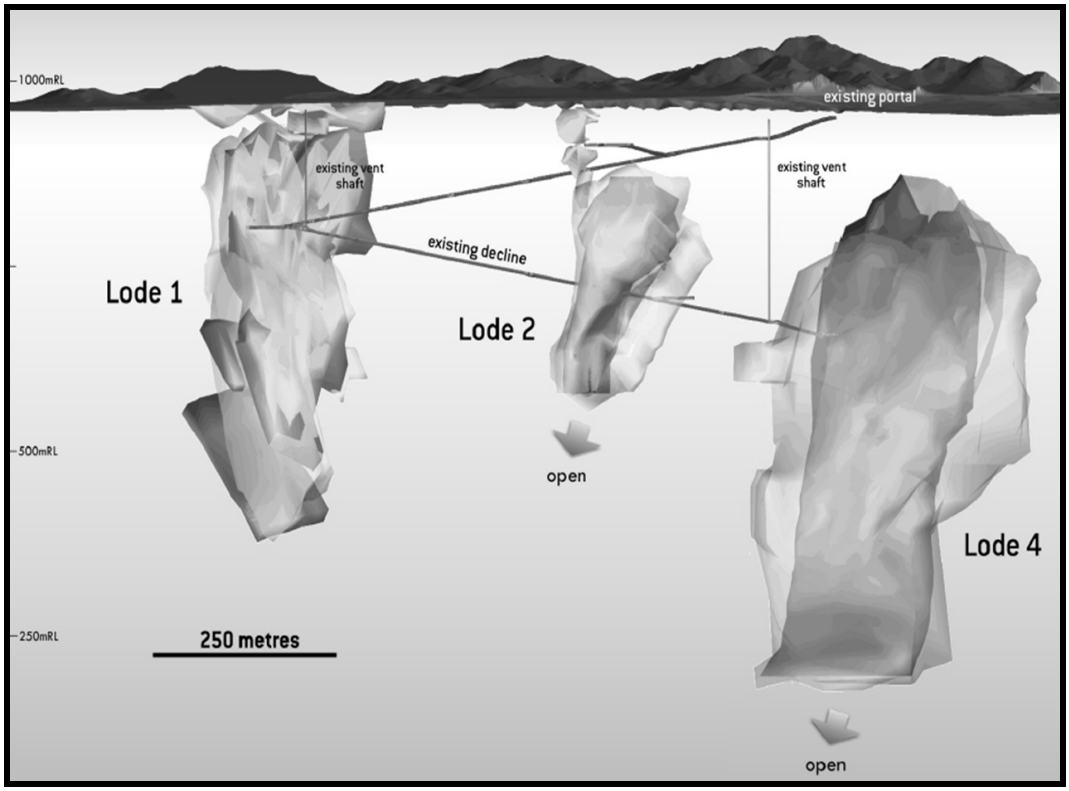
On 24 May 2010, Citadel announced that Jabal Sayid had been granted an Exploitation (Mining) Licence by the Deputy Ministry of Mineral Resources in Saudi ("Licence"). The Licence has a 30 year term (but is renewable) and provides for copper, zinc, gold, silver and other metals. Under the Licence, there are no mineral royalties and a corporate tax rate of 20% will apply to the project. The cost of the licence is a rent of SAR10,000 per square kilometres per annum (approximately A$3,200).

During the September 2010 quarter, Citadel has progressed engineering, construction and development at Jabal Sayid. Engineering is scheduled to be 50% completed by the end of the quarter. Construction and development activities have included work in relation to site earthworks, decline rehabilitation, mine underground facilities and mine water systems. Citadel aims to commence commercial production in the March 2012 quarter.

Geology and Mineralisation

Jabal Sayid is a volcanic hosted massive sulphide ("VHMS") system, lying within the Asir volcanic arc. The area is arid and mountainous. Two layers of volcanic rocks form the top of the structure with local deformation resulting in large folds filled with granite complexes. Mineralisation is hosted by felsic volcanic rocks associated with a local paleovolcanic centre and crosscut by intrusions. Three styles of mineralisation have been identified at Jabal Sayid: stockwork zones, massive sulphides and sulphide breccia. Four separate mineralised lodes located within a northeast-trending corridor 1.2 kilometre long and between 200 and 700 metres wide have been identified. The lodes are believed to be restricted to the western flank of a southwest plunging fold.

Mineral Resources and Ore Reserves have been defined for Lodes 2 and 4, which formed the basis for the Definitive Feasibility Study. The dominant copper mineralisation for Lodes 2 and 4 is chalcopyrite (copper iron sulphide). Lode 2 is open at depth and Lode 4 is open at depth and to the south. Lode 1 is currently the subject of a scoping study and its previously defined Mineral Resources are being reviewed. Lode 1 contains both copper mineralisation (chalcopyrite) and zinc mineralisation (sphalerite). In addition, it has a near surface oxidised copper/gold cap. Lode 1 is open to the south. Recent high grade copper drill results from Lode 1 suggest that there are good grounds to expect that Lode 1 will support an accelerated expansion of Jabal Sayid. Two drill holes suggest the presence of Lode 3 to the west of Lode 2 and the north of Lode 1, but no Mineral Resources have been delineated and Lode 3 is essentially an exploration target. The following diagram shows a cross section view of the location of Lodes 1, 2, and 4 as well as the existing decline and vent shafts:



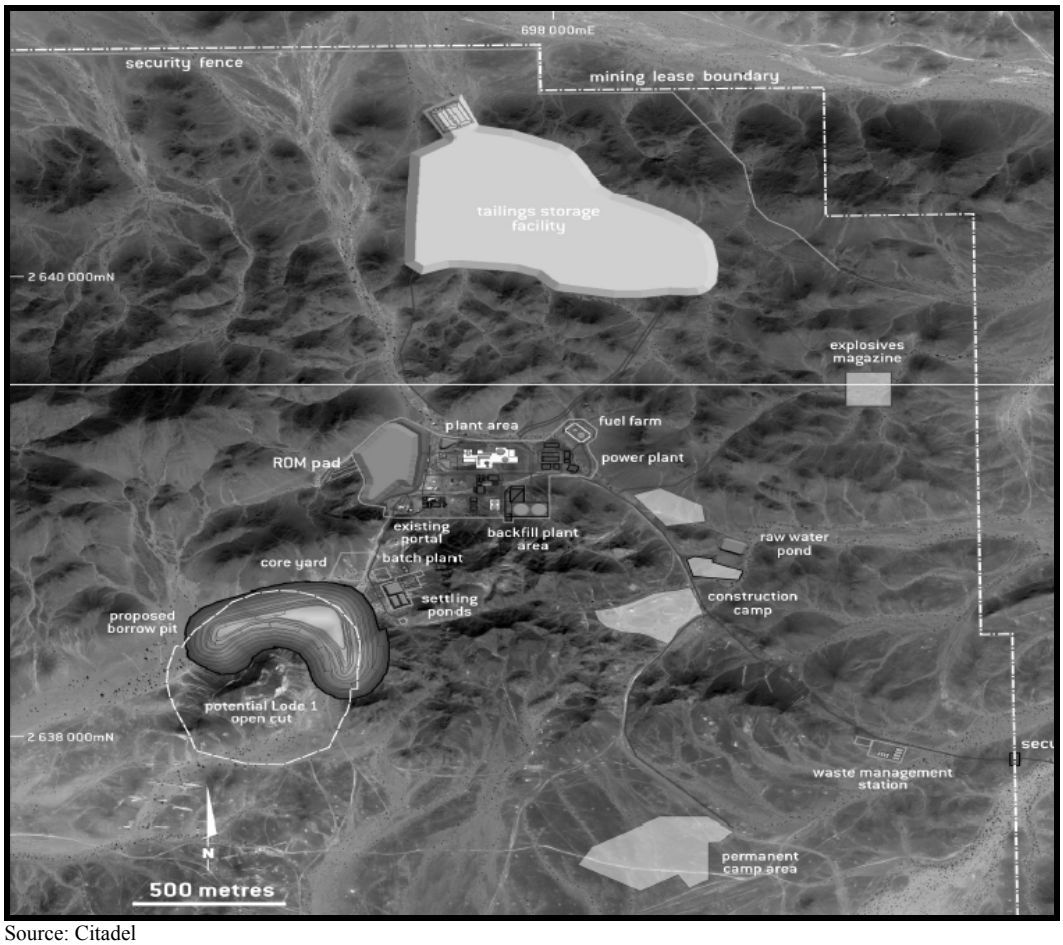
Source: Citadel

Development

Current development plans focus on Lodes 2 and 4. Ground conditions are good and the geometry of the ore bodies allows for bulk mining. Citadel contemplated different mining methods, including open pit mining, however the feasibility study has concluded that underground mining, principally by way of sub-level open stoping, is the preferred option. Narrower parts of the ore body will be mined by bench stoping. Development will be accelerated by using the existing 2.1 kilometres of 4.5m x 4.5m decline, which will be widened to 5.5m x 5.5 m over its first 367 metres. A second decline, branching off the existing decline, will be developed to provide additional access to Lode 4 and provide the haulage capacity required to support planned production rates. Ore will be trucked by three road trains to the surface. Based on the current mining plan, the mine will extend to a depth of approximately 750 metres below surface. The average mining rate over the life of the mine is expected to be 2.6 million tonnes per annum over 10 years.

Metallurgical testing was completed as far back as 1985 with Citadel conducting additional testing in July 2007 and March 2009. The DFS contemplates that the process plant will be a conventional crush, grind and flotation circuit with a nameplate capacity of three million tonnes per annum, to produce a copper concentrate grading approximately 25% copper and containing moderate amounts of gold, silver, with impurities expected to fall below penalty thresholds. Average annual production in concentrate is expected to be 57,000 tonnes of copper, 14,000 ounces of gold and 560,000 ounces of silver. The concentrate zinc grade is expected to be low enough not to attract any quality penalties. Water is to be trucked from the city of Medina and power sourced from a 33 MW diesel generator power station.

The diagram below shows the proposed layout of the operations:



Source: Citadel

The concentrate is to be trucked to Yanbu, a deep water bulk port situated approximately 400 kilometres from the operation, where it will be stored in an existing shed with a 24,000 tonne capacity. From Yanbu, concentrate can be shipped both directly to Europe via the Suez Canal and to Asia. In August 2009, Citadel announced that it had entered into a five-year off-take agreement with the trading house Transamine Trading SA for the sale of 50,000 dry metric tonnes of copper concentrate per annum, or approximately 20% of production, at market terms from the commencement of production. Citadel is currently negotiating additional contracts.

The commencement of underground ore production is planned for the September 2011 quarter. Given the existing 2.1 kilometre decline passing through Lodes 1, 2 and 4 and the key transport infrastructure close to the site, Citadel expects to be able to develop the project in 18 months and to undertake wet commissioning from late 2011. Pre-production capital expenditure has been estimated at US$280 million. On current plans, the life of the mine is expected to extend to 2022.

Resources and Reserves

Jabal Sayid's Resources and Reserves (100%) for Lodes 2 and 4 as at 31 December 2009 are summarised as follows:

Jabal Sayid - Resources and Reserves as at 31 December 2009[6]

		Average Grade			Contained Metal		
	Tonnes (Mt)	Copper (%)	Gold (g/t)	Silver (g/t)	Copper (kt)	Gold (Moz)	Silver (Moz)
Resources[7]							
Measured	14.9	2.5	0.3	9	372	0.1	4.3
Indicated	11.0	2.4	0.3	10	264	0.1	3.5
Inferred	5.1	1.5	0.2	8	78	0.0	1.3
Total Resources	**31.0**	**2.3**	**0.3**	**9**	**714**	**0.3**	**9.2**
Reserves[8]							
Proved	15.0	2.2	0.25	8	330	0.1	3.9
Probable	9.4	2.2	0.25	10	210	0.1	3.0
Total Reserves	**24.4**	**2.2**	**0.25**	**9**	**540**	**0.2**	**6.9**

Source: Citadel

The deposit has been drilled by a number of parties for over four decades. The resultant drill density means that the bulk of the Mineral Resources is in the Measured and Indicated categories.

Citadel has previously released Mineral Resources estimates for Lode 1, based on work performed by earlier owners of the property. The resource estimates are being reviewed and revised estimates are expected to be announced shortly.

Expansion and Exploration

Citadel has commenced a scoping study to explore options for the exploitation of Lode 1. Lode 1 has a gold cap and limited amounts of copper oxide mineralisation near surface. Beneath this is copper sulphide mineralisation with significant amounts of gold and silver and limited zinc. Below the dominantly copper zone is zinc rich mineralisation, which extends at depth.

Recovery of gold from the gold cap would require some form of gold leaching process and will be the subject of further metallurgical testing. The Lode 1 scoping study is assessing the potential to mine the sulphide copper zone beneath the gold cap to produce a copper concentrate. Recent high grade copper drill results from the upper sulphide copper resource have reinforced the potential for the Lode 1 deposit to significantly enhance the economics of the Jabal Sayid project. The mining of Lode 1 is expected to be by way of an open pit reaching approximately 200 metres below surface, potentially combined with an underground mine. The finer grain of Lode 1 ore is likely to require finer grinding and its metallurgical characteristics mean that it would have to be processed through the plant on a batch basis. Early test work suggests the concentrate produced would be of slightly lower copper grade than the Lode 2 and 4 concentrate due to the finer mineralogy of Lode 1. This concentrate could be sold as a separate concentrate or blended with the copper concentrates from Lodes 2 and 4. Processing of the zinc rich zones would require modifications to the treatment process planned for Lodes 2 and 4 and is not being considered at this time.

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6 Rounding conforming to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) may cause some computational discrepancies.

7 Resources are based on a cut-off grade of 0.8% copper.

8 Reserves have been calculated using cut off grade of 1.1% and 1.3% copper.

Lode 2 is open at depth. Lode 4 is open at depth and to the south and the copper grade appears to be increasing with depth. Areas between Lodes 2 and 4 and Lode 3 are yet to be tested and could support production beyond the current plan.

Lode 2 also has a gold cap, which has not been included in the DFS. This could provide for further upside.

4.2 Exploration Assets

The following descriptions of Citadel's assets have been provided for information only and are not included in the valuation of Jabal Sayid.

Wadi Shugea

Citadel has a 100% interest in the Wadi Shugea project area, which includes the Jabal Shayban exploration licence, the Jabal Shayban Extended exploration licence and the Jabal Baydan exploration licence. Wadi Shugea is approximately 150 kilometres north-east of Jeddah and is accessed by a six-lane highway to within a few kilometres of the site. The area is characterised by the presence of numerous outcrops and is considered highly prospective for the discovery of precious and base metal volcanic hosted massive sulphide and gold-sulphide epithermal vein-style deposits. Wadi Shugea hosts the gold rich Jabal Shayban and the base metal rich Jabal Baydan volcanic hosted massive sulphide deposits. Both deposits are located within a 15 kilometre trend with a north-south orientation.

A JORC compliant mineral resource for the Jabal Shayban project was announced on 2 June 2010 and is summarised as follows:

Jabal Shayban - Resources as at 2 June 2010[9]

		Average Grade				Contained Metal			
	Tonnes (Mt)	Gold (g/t)	Silver (g/t)	Copper (%)	Zinc (%)	Gold (koz)	Silver (koz)	Copper (kt)	Zinc (kt)
Measured	-	-	-	-	-				
Indicated	5.5	1.6	18.0	0.4	0.9	277	3,168	22	49
Inferred	3.3	1.2	13.7	0.3	0.6	125	1,419	9	18
Total	**8.7**	**1.4**	**16.4**	**0.4**	**0.8**	**402**	**4,587**	**32**	**67**

Source: Citadel

Mineralisation at Jabal Shayban has been identified over a strike length in excess of approximately 700 metres, is exposed over a length of 500 metres and is still open in all directions. The mineralogy at Jabal Shayban is complex and ore processing is likely to require flotation.

Citadel is undertaking an exploration drilling program at Jabal Baydan and has recently announced a high grade drill result (10m at 4.2% Cu, 28% Zn, 1.5g/t Au and 600g/t Ag). The Jabal Baydan deposit remains open down dip and along strike.

Mahd Adh Dhahab

Citadel has a 100% interest in three exploration licences in the Mahd Adh Dhahab area: Lahuf, Bari and Ram Ram. The Lahuf prospect is located eight kilometres along strike from Ma'aden's Madh Adh Dhahab operating gold mine. It is a low sulphidation epithermal system. Citadel has so far identified three vein sets (East, Central and West) and is continuing exploration. A mineral resource estimate of approximately 140,000 ounces of gold was completed by Ma'aden in 1999 and is summarised as follows:

[9] Rounding conforming to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) may cause some computational discrepancies.

Lahuf - Resources as at 1999[10]		
	Tonnes (Mt)	**Average Gold Grade (g/t)**
Resources - Oxide[11]		
Measured	0.18	5.26
Indicated	0.82	2.26
Inferred	0.45	1.87
Total Resources - Oxide	**1.45**	**2.52**
Resources - Sulphide		
Measured	0.09	3.77
Indicated	0.11	1.54
Inferred	0.06	4.41
Total Resources - Sulphide	**0.26**	**2.97**
Total Resources - All	**1.71**	**2.59**

Source: Citadel

Bari is located 38 kilometres north-east of the Madh Adh Dhahab mine. The area is characterised by the presence of 180 ancient workings including slag dumps from ancient smelting processes. Mineralisation at Bari is contained within a large porphyry gold-copper system. Drilling has returned good grade results but suggests that the veins are narrow. Exploration is ongoing.

The Ram Ram prospect is promising but limited exploration work has been undertaken.

Hail

Citadel has a 100% interest in the Hail Project Area, located approximately 650 kilometres north-north-east of Jeddah and 205 kilometres north-east of Medina. The project comprises the Idhkiri West and the Al Qunnawat South exploration licences. Ancient workings are found across the area, which is considered prospective for gold and copper porphyry-style mineralisation. Exploration is ongoing.

Murayjib

Citadel has a 100% interest in the Murayjib-Bil'iwy exploration licence, located 450 kilometres north of Jeddah and 90 kilometres north-north-east of the port city of Yanbu. Numerous occurrences of ancient mining have been found over a 20 kilometre strike length. Gold occurs in quartz veins, hydrothermally altered wall rocks proximal to veins and alluvial/colluvial deposits. The project is considered prospective for mesothermal vein-style gold deposits.

Wadi Kamal

Citadel has a 100% interest in the Wadi Kamal exploration licence, located 330 kilometres north of Jeddah and 30 kilometres north of Yanbu. The Wadi Kamal Project covers the southern portion of a mafic layered igneous complex that outcrops over an area of about 500 square kilometres. Citadel is prospecting for large massive and disseminated nickel and copper deposits.

[10] Rounding conforming to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) may cause some computational discrepancies.

[11] Resources are based on a cut-off grade of 1.0g/t. The number of contained ounces does not indicate the ounces that will be ultimately recovered.

5 Valuation of the Jabal Sayid Project

5.1 Summary

Grant Samuel has valued 100% of the Jabal Sayid project in the range US$650-750 million, which implies a value of US$195-225 million for the 30% interest in Jabal Sayid that Citadel will acquire under the Proposal. The valuation represents the estimated full underlying value of the Jabal Sayid project as of 31 October 2010 (ie. around the effective date for the Proposal), assuming 100% of the project was available to be acquired.

The valuation of Jabal Sayid has been prepared in the context of, and solely for the purpose of analysing, the Proposal. The valuation does not take into account Citadel's development and exploration interests in Saudi Arabia that are not held within Bariq. Grant Samuel has not prepared a valuation of Citadel.

The valuation of Jabal Sayid is based on a number of important assumptions, including assumptions regarding commodity prices. Commodity price expectations and expectations regarding future operating performance can change significantly over short periods of time. Project specific changes (including in the case of Jabal Sayid the completion of financing and substantial progress with project development) can have significant impacts on value. Accordingly, while the values estimated for Jabal Sayid are believed to be appropriate for the purpose of assessing the Proposal, they may not be appropriate for other purposes or in the context of changed market conditions, changed economic circumstances or different operational prospects for Jabal Sayid.

The principal approach to valuing the Jabal Sayid project was by discounted cash flow ("DCF") analysis. The DCF analysis was based on a financial model developed by Grant Samuel on the basis of two modelling scenarios provided by AMC. AMC's modelling scenarios assume the mining of the copper resource of Lodes 2 and 4 and, in an upside scenario, the mining by open pit of Lode 1. The financial models project nominal after tax cash flows from 1 July 2010, which were discounted to a present value using nominal after tax discount rates in the range 8.5-10.5%.

The valuation range reflects the particular attributes of the Jabal Sayid project, including:

- the Jabal Sayid ore bodies have been extensively drilled over many years, providing confidence regarding estimated reserves;
- the existing 2.1 kilometre decline has allowed Citadel to develop a good understanding of the ground conditions and will accelerate the development of the project, reducing upfront capital costs and development time. In addition, the underground mining method and the treatment plant design adopted to develop Jabal Sayid are both conventional, widely used techniques;
- Jabal Sayid is expected to be a highly profitable operation at current copper prices. The project has relatively low expected operating costs in part because the project is able to obtain low cost fuel. With an expected payback of the initial capital costs of less than two years, Jabal Sayid's economics would be robust even at much lower copper prices;
- there is additional exploration potential within the Jabal Sayid Exploration Licence area that is not reflected in the DCF analysis. AMC believes that extensions to Lodes 1, 2 and 4 could extend the mine life by a year and there is the potential for new discoveries (including Lode 3) within the Jabal Sayid Exploration Licence area. AMC has valued this exploration potential in the range of US$4.5 - 23.4 million; and
- mining and processing of the gold cap located above the Lode 1 copper sulphide mineralisation has not been reflected in the DCF analysis and provides further upside to the value of the project. AMC has estimated that 38,000 ounces of gold and 396,000 ounces of silver could be produced in the form of doré at a total undiscounted cost of approximately US$33.5 million.

On the other hand:

- the project is subject to construction and commissioning risk. An overrun in construction costs or any delays in construction or commissioning the mine or plant could result in the project requiring an addition capital injection, which in turn could require additional equity funding. However, as the construction is completed and production commences these risks will disappear or diminish and the value of Jabal Sayid could be expected to increase, perhaps significantly;
- the project is not yet fully funded, although a significant component of the equity requirement was raised by Citadel through the entitlements issue in June/July 2010. In addition, Citadel has had extensive discussions with a syndicate of banks that have indicated their willingness to provide the debt required by the project, on commercially acceptable terms. However, until the debt facilities are in place and the additional equity required is raised, the project remains exposed to funding risk; and
- while Saudi Arabia appears to provide a relatively attractive business environment for foreign investors, foreign mining companies have limited experience in Saudi Arabia. Jabal Sayid will be the first mine operated in Saudi Arabia by a majority foreign investor and the first to be developed under Saudi Arabia's new mining law (although there are no further approvals required for the project under the new mining law). Even though foreign investors have and continue to operate successfully in other industries in Saudi Arabia and the banks have not asked for political risk insurance as part of the debt raising process, there is inevitably a degree of sovereign risk associated with the mine's development.

Grant Samuel has also considered valuation evidence derived from the analysis of comparable companies, as summarised in the table below:

Jabal Sayid – Implied Valuation Parameters

Multiples of	Variable (000 t)	Implied Multiple[12] (US¢/lb) Low	High
Jabal Sayid			
- copper resources	714	41	48
- copper reserves	540	55	63
Comparable companies' copper resources			
- companies in feasibility study (range)		4	58
- companies in production (range)		13	69

A direct comparison between the Jabal Sayid project and the comparable companies is problematic because of differences in factors such as development status, location, capital expenditures still to be spent and operating costs. In particular, none of the comparable companies' projects still at the feasibility stage is as advanced as Jabal Sayid.

The results from the analysis of the comparable companies represent a very broad range of multiples. At a valuation range of US$650-750 million, the resource multiples for the Jabal Sayid project are at the upper end of the range of resource multiples for comparable companies (although the comparable resources reflect portfolio values rather than full underlying values). In Grant Samuel's view the analysis set out above provides general support for Grant Samuel's valuation of 100% of the Jabal Sayid project in the range US$650-750 million.

[12] Implied multiples represent enterprise value divided by reserves or resources.

5.2 Methodology

5.2.1 Overview

Grant Samuel's valuation of Jabal Sayid corresponds to the estimated fair market value of the project as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The most reliable evidence as to the value of a business or assets is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb or other benchmarks; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

Grant Samuel's primary approach to the valuation of the Jabal Sayid project has involved the application of the DCF methodology.

Some weight has also been given to benchmarks based on multiples of resources and reserves, which are metrics considered in the resources sector. The multiples implied by the valuation were compared to the multiples implied by the share market prices of listed companies with broadly similar projects. Little weight was placed on the multiples implied by historical transactions involving comparable companies, given that those multiples reflect the specific market conditions, and in particular copper and other commodity prices, at the time of the transactions.

The valuation of the Jabal Sayid project represents Grant Samuel's overall judgements as to value. It does not rely on any one particular scenario, set of economic assumptions or reference to a specific comparable project. The valuation has been determined having regard to the sensitivity of DCF analysis to a range of technical and economic assumptions. It incorporates Grant Samuel's judgemental assessment of the impact on value of factors such as location (and therefore exposure to sovereign risk), development status and optionality to the extent not reflected in the DCF analysis. Where appropriate, the valuation takes into account direct market based evidence as to the value of broadly comparable projects.

The valuation represents Grant Samuel's assessment of the full underlying value of the Jabal Sayid project.

5.2.2 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative, but it is also widely used in the valuation of established industrial businesses. Discounted cash flow valuations involve calculating the net present value of projected cash flows. This

methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate that reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

Grant Samuel has also taken into consideration sovereign and other country specific risk. To the extent that a business is perceived as being particularly risky, this specific risk should be dealt with by adjusting the cash flow scenarios. This avoids the need to make arbitrary adjustments to the discount rate that can dramatically affect estimated values, particularly when the cash flows are of extended duration or much of the business value reflects future growth in cash flows. In addition, risk adjusting the cash flows requires a more disciplined analysis of the risks that the valuer is trying to reflect in the valuation. However, it is also common in practice to allow for certain classes of specific risk (particularly sovereign and other country specific risks) in a different way by adjusting the discount rate applied to forecast cash flows by a so-called country risk premium. Grant Samuel has not made any adjustment to the risk free rate and other discount rates used in its valuation of the Jabal Sayid project. The cash flows from the financial models developed for the purposes of the valuation have not been adjusted for sovereign risk. However, Grant Samuel has taken into account perceived sovereign risk in Saudi Arabia in its review of the net present values calculated in its financial analysis.

Grant Samuel developed a cash flow model for the Jabal Sayid project on the basis of modelling scenarios provided by AMC based on a life of mine plan for the Jabal Sayid project provided by Citadel. AMC reviewed each of the technical assumptions in the life of mine plan, including those regarding reserve estimates, production profiles, operating costs, capital costs and the potential for reserve extensions. Grant Samuel determined the economic and financial assumptions used in the cash flow models. The net present value of the Jabal Sayid project has been calculated on an ungeared after tax basis as at 1 July 2010. The model allows the key drivers of revenues, costs and capital expenditure to be modelled. The model is based on a large number of assumptions and is subject to significant uncertainty and contingencies, many of which are outside the control of Citadel. A number of scenarios have been developed and analysed to reflect the impact on value of various key assumptions. The financial model is discussed in more detail in Section 5.5.2 of this report.

The valuation is based on a number of important assumptions, including assumptions regarding future metal prices. The valuation reflects the technical judgements of AMC regarding the prospects for the Jabal Sayid project. Metal prices, exchange rates and expectations regarding future operating parameters can change significantly over short periods of time. Such changes can have significant impacts on underlying value. Accordingly, while the values estimated are believed to be appropriate for the purpose of

assessing the Proposal, they may not be appropriate for other purposes or in the context of changed economic circumstances or different operational prospects for the Jabal Sayid project.

5.3 Resources Projects and Optionality

The conventional DCF methodology implicitly assumes that the rate of output from a mining operation is pre-determined. This methodology ignores the value inherent in management's ability to vary production and other operating parameters in reaction to changes in commodity prices or other circumstances. Management may change the rate of production of a mine, close or re-open the mine or in certain circumstances even abandon it. Accordingly, a mine may be regarded as an option (or series of options) over the resources it contains.

The value of management flexibility is illustrated by the example of a marginal mine, where the marginal cash production cost is equal to expected revenue. Application of the conventional DCF methodology would result in the estimate of a zero value for the mine. In reality, however, the mine will have some value, because management is able to reduce or cease production if marginal revenue falls below the marginal cash cost of production and to resume or increase production if commodity prices rise.

Similarly, the designs and long term development alternatives for many mines allow management to change operating plans in the light of future commodity prices and operating costs. Life of mine plans frequently involve mining marginal ore, making additional cut backs or making other operational decisions at some point in the future. However, management is commonly not required to commit to such decisions at the commencement of the mining project. Firm commitments are only required much later in the project, at which time management will be able to make decisions on the basis of the commodity prices and other circumstances then prevailing. The mining operations as they relate to (for example) the mining of marginal ore or a final cut back may be thought of as a series of call options exercisable at the marginal mining costs to be incurred at the time. These options represent additional value not captured by the conventional DCF methodology.

An alternative perspective is that management flexibility results in changes in commodity prices having an asymmetric impact on the value of a mining operation. If commodity prices rise unexpectedly, the mine will earn greater revenue (and may be able to mine additional mineralisation not originally scheduled for production). If commodity prices fall unexpectedly, production will be curtailed or, in the worst case, stopped. The mine will not continue, in the long term, to be operated at a cash operating loss. By contrast, deterministic valuation models implicitly assume that there is some possibility of the mine operating on a long term basis at a cash operating loss, in the same way that it implicitly assumes that the mine may earn "super profits" as a result of a persistent increase in commodity prices.

Grant Samuel is aware of valuation methodologies that attempt to incorporate the option value associated with management flexibility using a combination of conventional DCF analysis and option theory. However, the application of these methodologies is impractical in the context of the complex and unpredictable nature of mining operations. In making judgments on value, Grant Samuel has given general consideration as to the characteristics of the various mining operations and the value of management flexibility or underlying option value implicit in those characteristics. In particular, Grant Samuel has considered the extent to which:

- operations are marginal or incorporate significant resources, not currently planned for mining, of marginal economics (i.e. the operations represent or incorporate options "close to the money"); and

- length of mine life or other characteristics give management flexibility over the conduct of mining operations.

The valuation of each project includes a subjective assessment of the real option value inherent in the project.

5.4 Valuation of the Jabal Sayid Project

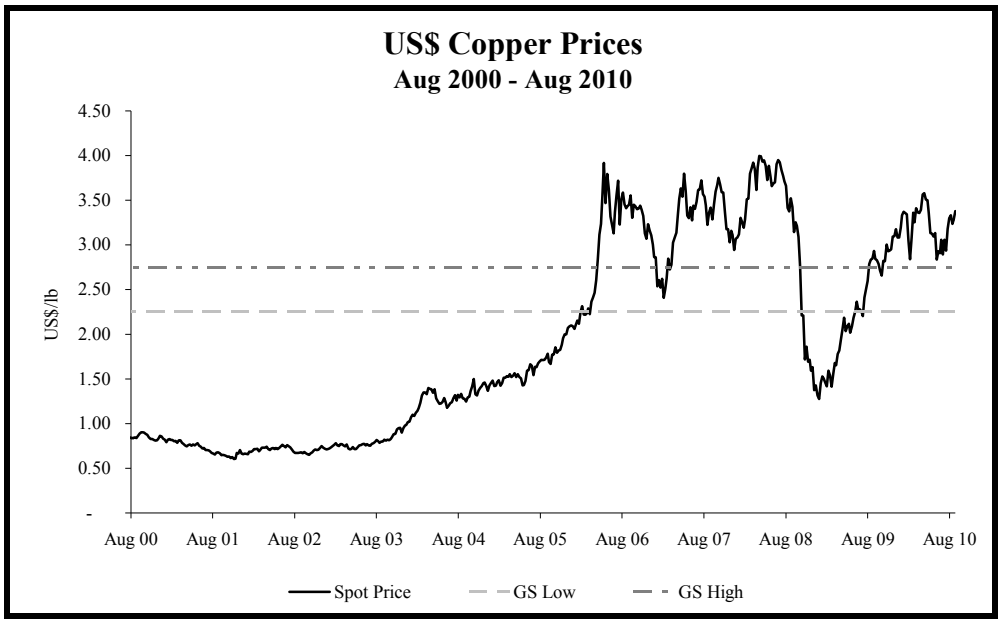
5.4.1 Valuation Assumptions

The valuation of the Jabal Sayid project has been determined primarily by reference to a DCF valuation analysis. This analysis involves making a number of assumptions regarding future commodity prices, economic factors and discount rates. The NPV of the Jabal Sayid project is sensitive to the assumptions used in the analysis. Relatively small changes in certain variables can cause significant changes in value. For this reason, DCF valuations analysis should be treated with caution.

The key assumptions adopted in the DCF analysis are summarised as follows:

- long run real copper prices in the range US$2.25-2.75 per pound;
- flat real gold prices of US$1,250 per ounce and flat real silver prices of US$20.00 per ounce, based on gold and silver prices prevailing around 17 September 2010;
- long run United States inflation rates of 2.25% per annum;
- discount rates for the DCF valuation in the range 8.5-10.5%. The discount rates represent estimates of the costs of capital for non-gold producers, derived both in world markets and in the Australian market. The rates are estimates of weighted average costs of capital and have been applied to expected future ungeared after tax United States dollar denominated cash flows. The basis for the selection of the rates is set out in Appendix 1;
- tax depreciation schedules determined on the basis of tax written down values for various asset categories. Accumulated carry forward expenditures that are deductible for tax purposes have been allowed for in the financial models; and
- Saudi corporate tax rate of 20% plus withholding tax of 5%.

Grant Samuel has assumed long term copper prices in the range US$2.25-2.75 per pound for valuation purposes. The copper price assumption compared to historical copper prices in United States dollar terms is shown in the following chart:



Source: Bloomberg

After trading for many years within a reasonably stable range of prices (approximately US$0.70-0.90 per pound), copper commenced substantial strengthening in late 2003. Copper prices remained relatively high for a number of years but fell sharply in mid-2008. They have substantially recovered since then. Overall, commodities prices have been very volatile since late 2005 and there has been little consensus regarding future copper prices, both for the short and the longer term. In this context, a wide range of forecasts of long run copper prices could reasonably be made.

The assumptions regarding long run copper prices adopted for the purposes of the valuation of the Jabal Sayid project are broadly consistent with the copper forward curve and the range of forecast price assumptions used by market analysts.

Given the volatility in commodity markets and the widely varying views of industry analysts, commentators and corporate participants, assumptions regarding future copper prices are inherently subject to considerable uncertainty. It should be noted that the value of the Jabal Sayid project could vary, perhaps significantly, with changes in commodity prices and price expectations.

The assumptions in relation to long run copper prices adopted by Grant Samuel do not represent forecasts by Grant Samuel but are intended to reflect the range of assumptions that could reasonably be adopted by industry participants in their pricing of resources assets and companies.

5.4.2 Discounted Cash Flow Analysis

Grant Samuel prepared detailed financial models of the Jabal Sayid project. These models were based on two valuation cases, which incorporate production, capital and operating cost projections developed by AMC with reference to the life of mine plan prepared by Citadel. AMC has made adjustments to the life of mine plan to reflect its judgement on certain matters.

Case 1 is based on the mining inventory of Lode 2 and Lode 4 that forms the basis of the Jabal Sayid Definitive Feasibility Study. It assumes mining over the mine life of 606,000 tonnes of contained copper, which is approximately 12% greater than reserves as at 31 December 2009. Mining is assumed to start in mid 2011, ramp up to full capacity by 2013 and continue until 2022. In total, 26.7 million tonnes of ore are milled over the

project life at an average grade of 2.27% copper, 0.26 g/t gold and 9.4 g/t silver. Over the life of the mine, approximately 582,000 tonnes of copper, 144,000 ounces of gold and 5.2 million ounces of silver are produced. Initial capital expenditure totals US$305 million (in real terms) and sustaining capital for the life of the mine is US$145 million. Closure expenses net of the salvage value of the plant totalling US$0.8 million are incurred in 2023.

Case 2 is an expanded version of Case 1. It assumes the mining of an additional 6.0 million tonnes of marginally lower grade ore in Lodes 2 and 4 and 5.5 million tonnes from Lode 1, allowing an increase in annual milling rates from 2.7Mtpa to 3.5 Mtpa and a one year's extension of the mine life. The assumption that additional material will be available for mining in Lodes 2 and 4 is supported by positive drilling results at depth and by earlier resource estimates that suggest the presence of mineable material on the edges of the currently defined resource. Recent drilling of Lode 1 has reinforced confidence that Lode 1 mineralisation will be available to supplement ore from Lodes 2 and 4. Plant capacity is expanded by providing additional re-grind capacity, to allow a finer grind of material from Lode 1, and potentially upgrading thickening and filtration capacity, at an incremental cost estimated in the range US$10-15 million.

Over the life of the project, 32.7 million tonnes of ore from Lodes 2 and 4 are mined at an average grade of 2.24% copper, 0.24 g/t gold and 8.98 g/t silver. In addition, 5.5 million tonnes of the copper sulphide resource of Lode 1 are mined at an average grade of 1.72% copper, 0.47 g/t gold and 16.42 g/t silver. Total production in Case 2 is 777,000 tonnes of copper, 199,000 ounces of gold and 7.8 million ounces of silver. Initial capital expenditure totals US$325 million and sustaining capital for the life of the mine of US$155 million. Closure expenses net of the salvage value of the plant totalling US$2.3 million are incurred in 2024.

The following table summarises projected production and costs for the two scenarios:

100% Jabal Sayid – Model Parameters						
	Year ended 30 June					Total Life of Mine
	2011	2012	2013	2014	2015	
Case 1						
Ore milled	-	1,919	2,698	2,651	2,661	26,740
Copper milled grade (%)	-	2.73	2.21	2.11	2.72	2.25
Copper concentrate grade (%)	-	25.0	25.0	25.0	25.0	25.0
Contained metal in concentrates	-					
Copper (000's tonnes)	-	50.4	57.1	53.7	70.1	582
Gold (000's ounces)	-	15.7	15.3	13.5	15.4	144
Silver (000's ounces)	-	790	588	485	709	5,739
Total cash costs (US$/lb Cu)[13]	-	0.82	0.97	1.02	0.80	0.91
Capital expenditure (US$ million)	306.8	38.0	24.3	21.7	5.3	439.6
Case 2						
Ore milled	-	1,919	3,498	3,451	3,461	38,270
Copper milled grade (%)	-	2.73	1.99	1.94	2.51	2.16
Copper concentrate grade (%)	-	25.0	25.0	25.0	25.0	24.6
Contained metal in concentrates	-					
Copper (000's tonnes)	-	50.4	65.6	62.6	81.9	777.2
Gold (000's ounces)	-	15.5	17.9	16.0	18.3	199.3
Silver (000's ounces)	-	794	687	577	845	7,783
Total cash costs (US$/lb Cu)[28]	-	0.87	1.04	1.01	0.87	0.92
Capital expenditure (US$ million)	306.8	50.5	24.3	21.7	5.3	461.7

The results of the financial analysis for the two cases are summarised below:

100% Jabal Sayid – NPV Analysis (US$ million)				
		Long Term Copper Price Scenario (US$/lb)[14]		
	Discount Rate	2.25	2.50	2.75
Case 1	8.5%	615	758	900
	9.5%	573	708	842
	10.5%	534	661	788
Case 2	8.5%	841	1,027	1,213
	9.5%	780	955	1,130
	10.5%	725	889	1,054

The net present values set out above show a wide range of values across the different scenarios, highlighting the sensitivity of calculated NPVs to relatively small changes in assumptions. In particular, the analysis shows the sensitivity of calculated NPVs to the discount rate and the copper price, reflecting the leverage effect of the significant capital expenditures to be incurred prior to the commencement of production.

[13] Costs are per pound of copper produced, in real terms and are after treatment and refining costs and royalties. Gold and silver are taken as credits.

[14] These scenarios assume that the copper price will decrease from its current levels to the long term copper price by 2015.

5.4.3 Comparable Analysis

There are no undeveloped copper projects that are directly comparable to Jabal Sayid. However, a number of companies hold copper projects that are at the feasibility stage or have been recently developed. Their market values provide some evidence as to the value of the Jabal Sayid project. These companies' key statistics are summarised in the following table and are described in more detail in the commentary below:

Copper Companies Statistics – Selected Listed Companies

	Location of Key Project	Resource[15] (000's t Cu)	Reserve (000's t Cu)	Production[16] (000's t)	Cash Costs[17] (US¢/lb)	Initial Capex[18] (US$ m)
Feasibility Stage						
CuDeco	Australia	384	-	-	n.a.[19]	n.a.
Discovery	Botswana	1,447	-	26	101	150
Sandfire	Australia	598	-	-	n.a.	n.a.
In Production						
Aditya Birla	Australia	1,026	568	56	180	-
Anvil	DRC	1,334	655	16	n.a.	-
Equinox	Zambia	6,082	2,142	135	135	-
OZ Minerals	Australia	2,547	904	100-110	80-90	-
PanAust	Laos	1,210	939	60-63	95-105	-

Source: Companies

CuDeco

CuDeco Limited ("CuDeco") owns the Rocklands Group copper-cobalt-gold project in Queensland. The project takes in a number of historical copper mines that have yielded very high grade copper in the past. It comprises numerous parallel zones of mineralisation and includes zones of bonanza-grade copper. CuDeco is aiming to release results from these studies in the next few months. The company expects production to commence in late 2011 and to reach an annual throughput rate of three million tonnes per annum. The deposits are expected to be mined at very low strip ratios. No estimates of initial capital expenditure or cash costs were available as at the date of this report. On 18 August 2010 CuDeco released an announcement setting out a resource estimate for the Rocklands project. The announcement appeared to disappoint the market and CudDeco's share price fell significantly thereafter. CuDeco's enterprise value based on share market trading values and the latest available financial position at 10 September 2010 was approximately US$227 million.

Discovery

Discovery Metals Limited ("Discovery") is focused on developing its wholly-owned Boseto copper project in Botswana. It also has an 85% interest in the Dikoloti nickel project, also in Botswana. The resource at the Boseto project as at the date of this report was 1.4 million tonnes of copper and 57.1 million ounces of silver. A feasibility study initially contemplated a plant throughput rate of two million tonnes per annum and annual

[15] Reserves and Resources are for each company's key asset mentioned below. They are based on CuDeco's announcement of 18 August 2010, as reported on 28 January 2010 for Discovery, as reported on 3 September 2010 for Sandfire, as at 31 March 2009 for Aditya Birla, as at 31 December 2009 for Anvil, for the Lumwana copper resource and as reported on the company's website for Equinox, as at 30 June 2009 for OZ Minerals and as reported on 30 June 2010 for PanAust.

[16] Production corresponds to the average over the life of the mine at Jabal Sayid, 10-year average for Discovery, total for the year ended 31 March 2010 for Aditya Birla and 2010 guidance for Equinox, OZ Minerals and PanAust.

[17] After by-product credits, which may be based on different metal prices. Cash costs correspond to the average cash cost over the life of the mine at Jabal Sayid, 10-year average total cash costs for Discovery, total cash costs for the year ended 31 March 2010 for Aditya Birla and 2010 C1 cash costs guidance for Equinox, OZ Minerals and PanAust.

[18] Attributable to the company.

[19] n.a. means not available.

production of 25,600 tonnes of copper and 691,000 ounces of silver contained in a copper concentrate, at a 10-year average cash cost of US$1.01 per pound of copper (before corporate allocation) with production tabled to commence in late 2011. Initial capital costs for the project were estimated at US$150 million. However, Discovery is now investigating the possibility of developing a three million tonnes per annum process plant, which will impact the initial estimates of pre-production capital and cash costs of production. Discovery is expecting to complete a Bankable Feasibility Study for the Boseto Project before the end of 2010. Discovery's enterprise value based on share market trading values and the latest available financial position at 10 September 2010 was approximately US$231 million.

Sandfire

Sandfire Resources NL ("Sandfire") holds a number of exploration projects in Western Australia and the Northern Territory. The company's key asset is the 100%-owned DeGrussa copper-gold project in Western Australia. In February 2010, Sandfire released a maiden resource estimate for the project of 372,000 tonnes of copper, 439,000 ounces of gold and 3.4 million ounces of silver and expects to release an updated resource estimate in July 2010. A pre-feasibility study is underway. On 2 July 2010 Sandfire announced that Oz Minerals had acquired a 19% interest in Sandfire. On 23 July 2010 Sandfire announced that it has reached an agreement whereby LS-Nikko would acquire a 12.5% shareholding in Sandfire, through the placement of up to 18.7 million shares at A$5.02 per share. In addition, Sandfire and LS-Nikko has entered in sales arrangements over 45% of Sandfire's future production. On 3 September 2010 Sandfire announced a significant upgrade to the DeGrussa resource, including an increase in the overall resource grade. Sandfire expects to start a definitive feasibility study in the December 2010 quarter. The study contemplates the development of open pit and underground mines and a concentrator, with mine development potentially commencing in 2011. Sandfire's enterprise value based on share market trading values and the latest available financial position at 10 September 2010 was approximately US$766 million.

Aditya Birla

Aditya Birla Minerals Limited ("Aditya Birla") operates the Birla Nifty Copper Operation ("BNCO") in Western Australia and the Birla Mt Gordon Copper Operation ("BMGO") in Queensland and has a portfolio of other exploration assets. BNCO consists of an underground mine, a conventional flotation plant and a heap leach solvent extraction electrowinning processing plant, which was put on care and maintenance in early 2009. BMGO consists of an underground mine and a conventional flotation plant, which were both put in care and maintenance in January 2009. Copper production totalled 56,450 tonnes in the financial year ended 31 March 2010 at a total cash cost of $2.12 per pound of copper, which corresponds to US$1.80 per pound of copper at an average exchange rate of A$1.00 = US$0.85 over the period from 1 April 2009 to 31 March 2010. Aditya Birla's enterprise value based on share market trading values and the latest available financial position at 10 September 2010 was approximately US$337 million. It should be noted that Aditya Birla Group, an Indian conglomerate, has a 51% interest in Aditya Birla.

Anvil

The key asset of Anvil Mining Limited ("Anvil") is a 95% interest in the Kinsevere copper operations in the Democratic Republic of Congo ("DRC"). The company also holds a 70% stake in the Mutoshi copper operations, also in the DRC, as well as exploration tenements in the DRC and elsewhere. Anvil announced on 26 February 2010 that it had reached an agreement for the sale of its 90% stake in the Dikulushi copper and silver mine in the DRC. In late 2008, Anvil placed its operations on care and maintenance and suspended work at its Stage II solvent extraction and electrowinning development project at Kinsevere ("Kinsevere Stage II"). Production at Kinsevere recommenced in March 2009, initially focusing on the processing of stockpiles and later resuming mining on a reduced scale. Anvil also resumed work at its Kinsevere Stage II project. Until the Kinsevere Stage II

solvent extraction and electrowinning processing plant reaches commercial production, the Kinsevere operations are focused on producing copper concentrate from the existing heavy media separation plant at low costs. In the 2009 calendar year, copper production totalled 16,406 tonnes of copper in concentrate at an operating cash cost at the mine gate (which excludes transport costs, treatment and refining charges and royalties of 4.5%) of US$0.38 per pound of copper. In the 2010 calendar year, Anvil expects to increase processed tonnes threefold but at a lower copper grade, resulting in copper production of 16,500 tonnes. Operating cash cost at mine gate for the March 2010 quarter were US$0.58 per pound of copper. The company expects to achieve commercial production from its Kinsevere Stage II project during the third quarter of 2011 with a steady state production of 60,000 tonnes of copper cathode per year at C1 cash costs of US$0.89 per pound and total cash costs of US$1.00 per pound of copper. On 27 January 2010, Anvil announced that US$200 million of a total of US$400 million of construction costs remained to be spent on the Kinsevere Stage II project. Anvil's enterprise value based on share market trading values and the latest available financial position at 10 September 2010 was approximately US$389 million.

Equinox

Equinox Minerals Limited ("Equinox") owns and operates the Lumwana copper mine in Zambia. Equinox produces a copper concentrate from its sulphide copper resource, using large scale open pit mining and conventional flotation methods. Equinox produced its first copper concentrate in December 2008 and is continuing the ramp up of operations, which is expected to be completed in the second half of 2010. Equinox has indicated that its target production for 2010 was 135,000 tonnes of copper at C1 cash costs, which exclude royalties of 3%, of US$1.35 per pound. Equinox is also investigating the potential to treat a stockpile of high grade uranium mineralisation and has identified a number of copper targets at Lumwana. Equinox' enterprise value based on share market trading values and the latest available financial position at 10 September 2010 was approximately US$3.8 billion.

OZ Minerals

OZ Minerals Limited ("OZ Minerals") owns 100% of the Prominent Hill copper-gold mine in South Australia. The mine produces a copper-gold concentrate from an open pit mine and a conventional flotation processing plant. Production at Prominent Hill started in February 2009 and was successfully ramped-up to its nameplate capacity. 2010 production is expected to be in the range 100,000-110,000 tonnes of copper at an average C1 cash cost of US$0.80-0.90 per pound, excluding royalties of 2.5% and indirect cash costs which amounted to US¢8 per pound in the March quarter. OZ Minerals also holds a portfolio of early exploration assets and announced a maiden resource of 570,000 ounces of gold (100%) at its 80% owned Okvau project in Cambodia. No resources have been delineated at its other exploration interests. OZ Minerals' enterprise value based on share market trading values and the latest available financial position at 10 September 2010 was approximately US$2.8 billion. OZ Minerals recognised tax losses of $591.1 million (gross) in its accounts as at 31 December 2009.

PanAust

The main asset of PanAust Limited ("PanAust") is the Phu Kham copper-gold operation in Laos, in which PanAust has a 90% stake. The Phu Kham operation mines a primary copper ore body by open pit methods and produces a copper-gold concentrate by way of flotation. PanAust's production guidance for 2010 is in the range 60,000-63,000 tonnes of copper at a C1 cash cost of US$0.95-1.05 per pound of copper, before royalties of 4.5%. PanAust's other assets are a 90% stake in the Ban Houayxai gold project also in Laos and a 49% interest (earning 60-70%) in the Puthep copper project in Thailand. The Phu Kham Heap Leach gold operation, which treated the low grade gold cap over the Phu Kham deposit, closed in April 2010. PanAust announced in March 2010 that its board had approved the development of the Ban Houayxai project. It has a reported gold resource of 1.6 million ounces (100%). The annual production target is in excess of 100,000 ounces of gold with first production expected in the December 2011 quarter. At Puthep, PanAust is undertaking a feasibility study contemplating annual production of 25,000 to 30,000 tonnes of copper. The project currently has resources of 886,000 tonnes of copper and 476,000 ounces of gold. On 1 March 2010, PanAust announced that a 90%-owned subsidiary had made an offer for a 66% stake in the Inca de Oro copper-gold project in Chile for a total consideration of US$45 million. The offer is yet to be approved. The project has resources of 1.2 million tonnes of copper and 1.1 million ounces of gold and a pre-feasibility study is about to be completed. Production could commence in 2013. PanAust's enterprise value based on share market trading values and the latest available financial position at 10 September 2010 was approximately US$1.8 billion.

A comparison of the reserve and resource multiples for the Jabal Sayid project and the copper companies described above is set out below:

Copper Companies Statistics – Selected Listed Companies

	Enterprise Value[20]	Enterprise Value Multiples	
	(US$ m)	Resource (US$/lb)	Reserve (US$/lb)
Jabal Sayid – Low	650	41	55
- High	750	48	63
Feasibility Stage			
CuDeco	227	27	-
Discovery	231	7	-
Sandfire	766	58	-
In Production			
Aditya Birla	337	15	27
Anvil	389	13	27
Equinox	3,762	28	80
OZ Minerals	2,827	50	142
PanAust	1,840	69	89

Source: Grant Samuel Analysis

Direct comparisons between the Jabal Sayid project and the comparable companies is problematic, because of differences in factors such as cut off grade, deposit's characteristics, development status, location, quantum of initial capital expenditures still to be spent and operating costs. In particular, none of the comparable companies still at the feasibility stage are as advanced as Jabal Sayid in terms of having:

- a completed bankable feasibility study;
- defined reserves as well resources; and

[20] Based on share prices and exchange rates on 10 September 2010.

- well progressed development funding including debt and equity.

It should also be noted that the multiples set out above represent trading multiples and do not include a premium for control.

In Grant Samuel's view, the analysis set out above provides general support for Grant Samuel's valuation of 100% of the Jabal Sayid project in the range US$650-750 million. In addition, it suggests that the value of Jabal Sayid could be expected to increase, perhaps significantly, as project development and sovereign risks are mitigated, project construction is completed and production commences, and Citadel continues to develop its understanding of Jabal Sayid and the resource upside.

5.4.4 Comparison with Previous Valuation

In its expert's report dated 19 July 2010 (in relation to Citadel's acquisition of a 20% interest in Jabal Sayid that increased Citadel's overall interest to 70%), Grant Samuel valued 100% of Jabal Sayid in the range US$575-675 million. Grant Samuel has estimated that the value of Jabal Sayid at 31 October is US$650-750 million.

Of the estimated increase in value of US$75 million, approximately US$50 million relates to capital expenditure on the project expected to be incurred by 31 October 2010. Accordingly, the effective valuation increase is of the order of US$25 million. This increase reflects progress in evaluating expansion options for Jabal Sayid. Drilling success and resource evaluation progress in relation to Lode 1 has increased confidence that the Lode 1 resource will be mined and will support not just an extension of the Jabal Sayid project life, but a near term increase in production volumes, which has the capacity to materially improve project economics. Further progress in determining the optimum expansion option could result in an additional uplift in the value of Jabal Sayid.

Furthermore, the US$ copper price has risen significantly since 19 July 2010 and the US$ has weakened. These movements have not been reflected in the valuation, in part because Jabal Sayid will not generate revenue (and take advantage of current high copper prices) before the 2010 financial year. However, if current copper prices and US$ exchange rates were to persist, it is likely that the value of Jabal Sayid would increase.

5.5 Other Assets and Liabilities

Citadel will be acquiring the additional 30% interest in Jabal Sayid by acquiring the outstanding 30% shareholding that it does not already own in Bariq, the Saudi holding company for the project. Bariq does not have any material assets or liabilities other than its interest in the Jabal Sayid project.

6 Evaluation of the Proposal

6.1 Conclusion

Grant Samuel has valued 100% of Jabal Sayid (estimated value as at 31 October 2010) in the range US$650-750 million, which implies a value of US$195-225 million for the 30% interest to be acquired by Citadel under the Proposal. The consideration to be paid by Citadel of US$112.5 million is significantly less than the value attributed to the additional 30% interest. On this basis the Proposal is fair to the non-associated Citadel shareholders.

In Grant Samuel's view the acquisition has further benefits for Citadel. In particular:

- the increase in Citadel's interest in Jabal Sayid from 70% to 100% should enhance Citadel's investor appeal;
- 100% ownership of Jabal Sayid may provide benefits to Citadel in terms of increased flexibility in relation to future expansions of Jabal Sayid or the funding of other growth in Saudi Arabia; and
- while a deposit of US$12.5 million is payable on shareholder approval of the Proposal, the balance of the consideration (US$100 million) is only payable on or before 30 June 2010. The present value of the consideration is therefore less than US$112.5 million.

There are some disadvantages:

- Citadel does not currently have the financial resources to fund the balance of the consideration and will have to raise additional equity or debt. On the other hand, it has approximately eight months to arrange the necessary funding, and can choose to fund up to US$50 million of the consideration through the issue of shares to the vendors; and
- it is often beneficial to have local partners in an offshore business venture and Citadel will lose this benefit as a result of the Proposal. On the other hand, AQM and Dr Said will continue to be shareholders in Citadel (at least in the short term) and the benefit of having local partners in Jabal Sayid will arguably diminish as the project progresses towards production.

Overall, however, given the valuation analysis, the benefits of the Proposal for Citadel are compelling.

Accordingly, Grant Samuel has concluded that the Proposal is fair and reasonable having regard to the interests of shareholders in Citadel other than AQM.

6.2 Shareholder Decision

The decision whether to vote for or against the Proposal is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the Proposal, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Citadel. This is an investment decision independent of a decision on whether to vote for or against the Proposal upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

7 Qualifications, Declarations and Consents

7.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services, manages specialist funds and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 435 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Cooper BCom (Hons) ACA CA(SA) ACMA, Sarah Morgan BE (Hons) MBA MAusIMM and Matt Leroux M.Aero.E MBA. Each has a significant number of years of experience in relevant corporate advisory matters and is an authorised representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

7.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposal is fair and reasonable to the non-associated Citadel shareholders. Grant Samuel expressly disclaims any liability to any Citadel shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Explanatory Memorandum issued by Citadel and has not verified or approved any of the contents of the Explanatory Memorandum. Grant Samuel does not accept any responsibility for the contents of the Explanatory Memorandum (except for this report).

7.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Citadel or AQM that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel prepared an independent expert's report (dated 19 July 2010) in relation to a previous transaction whereby Citadel increased its interest in Jabal Sayid from 50% to 70%.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $100,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007.

7.4 Declarations

Citadel has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Citadel has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Citadel are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Citadel and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Explanatory Memorandum to be sent to shareholders of Citadel. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

7.6 Other

The accompanying letter dated 21 September 2010 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
21 September 2010

Appendix 1

Selection of Discount Rate

1 Overview

A discount rate in the range of 8.5-10.5% has been selected as appropriate to apply to the forecast nominal ungeared after tax cash flows of Jabal Sayid.

The cash flows of the Jabal Sayid project have been denominated in US dollars and discounted on the basis of rates appropriate for international capital markets. Given that many of the potential acquirers of the Jabal Sayid project are international mining companies, the assets are likely to be priced on the basis of costs of capital established in international capital markets.

Selection of the appropriate discount rate to apply to the forecast cash flows of any business enterprise is fundamentally a matter of judgement. The valuation of an asset or business involves judgements about the discount rates that may be utilised by potential acquirers of that asset. There is a body of theory which can be used to support that judgement. However, a mechanistic application of formulae derived from that theory can obscure the reality that there is no "correct" discount rate. Despite the growing acceptance and application of various theoretical models, it is Grant Samuel's experience that many companies rely on less sophisticated approaches. Many businesses use relatively arbitrary "hurdle rates" which do not vary significantly from investment to investment or change significantly over time despite interest rate movements. Valuation is an estimate of what real world buyers and sellers of assets would pay and must therefore reflect criteria that will be applied in practice even if they are not theoretically correct. Grant Samuel considers the rates adopted to be reasonable discount rates that acquirers would use irrespective of the outcome or shortcomings of applying any particular theoretical model.

The discount rates that Grant Samuel has adopted are reasonable relative to the rates derived from theoretical models. The discount rates represent an estimate of the weighted average cost of capital ("WACC") appropriate for these assets. Grant Samuel has calculated a WACC based on a weighted average of the cost of equity and the cost of debt. This is the relevant rate to apply to ungeared cash flows. There are three main elements to the determination of an appropriate WACC. These are:

- cost of equity;
- cost of debt; and
- debt/equity mix.

WACC is a commonly used basis but it should be recognised that it has shortcomings in that it:

- represents a simplification of what are usually much more complex financial structures; and
- assumes a constant degree of leverage which is seldom correct.

The cost of equity has been derived from application of the Capital Asset Pricing Model ("CAPM") methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. There are more sophisticated multivariate models which utilise additional risk factors but these models have not achieved any significant degree of usage or acceptance in practice. However, while the theory underlying the CAPM is rigorous the practical application is subject to shortcomings and limitations and the results of applying the CAPM model should only be regarded as providing a general guide. There is a tendency to regard the rates calculated using CAPM as inviolate. To do so is to misunderstand the limitations of the model. For example:

- the CAPM theory is based on expectations but uses historical data as a proxy. The future is not necessarily the same as the past;

- the measurement of historical data such as risk premia and beta factors is subject to very high levels of statistical error. Measurements vary widely depending on factors such as source, time period and sampling frequency;

- the measurement of beta is often based on comparisons with other companies. None of these companies is likely to be directly comparable to the entity for which the discount rate is being calculated and may operate in quite different markets;

- parameters such as the debt/equity ratio and risk premium are based on subjective judgements; and

- there is not unanimous agreement as to how the model should adjust for factors such as taxation. The CAPM was developed in the context of a "classical" tax system. Australia's system of dividend imputation has a significant impact on the measurement of net returns to investors.

The cost of debt has been determined by reference to the pricing implied by the debt markets in the US. The cost of debt represents an estimate of the expected future returns required by debt providers.

Selection of an appropriate debt/equity mix is a matter of judgement. The debt/equity mix represents an appropriate level of gearing, stated in market value terms, for the business over the forecast period. The relevant proportions of debt and equity have been determined having regard to the financial gearing of the industry in general and comparable companies, and judgements as to the appropriate level of gearing considering the nature and quality of the cash flow stream.

The following sections set out the basis for Grant Samuel's determination of the discount rates for the Jabal Sayid project and the factors which limit the accuracy and reliability of the estimates.

2 Definition and Limitations of the CAPM and WACC

The CAPM provides a theoretical basis for determining a discount rate that reflects the returns required by diversified investors in equities. The rate of return required by equity investors represents the cost of equity of a company and is therefore the relevant measure for estimating a company's weighted average cost of capital. CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk free investments (such as US medium to long term Treasury Bond). The premium is commonly known as the market risk premium and notionally represents the premium required to compensate for investment in the equity market in general.

The risks relating to a company or business may be divided into specific risks and systematic risks. Specific risks are risks that are specific to a particular company or business and are unrelated to movements in equity markets generally. While specific risks will result in actual returns varying from expected returns, it is assumed that diversified investors require no additional returns to compensate for specific risk, because the net effect of specific risks across a diversified portfolio will, on average, be zero. Portfolio investors can diversify away all specific risk.

However, investors cannot diversify away the systematic risk of a particular investment or business operation. Systematic risk is the risk that the return from an investment or business operation will vary with the market return in general. If the return on an investment was expected to be completely correlated with the return from the market in general, then the return required on the investment would be equal to the return required from the market in general (i.e. the risk free rate plus the market risk premium).

Systematic risk is affected by the following factors:

- financial leverage: additional debt will increase the impact of changes in returns on underlying assets and therefore increase systematic risk;

- cyclicality of revenue: projects and companies with cyclical revenues will generally be subject to greater systematic risk than those with non-cyclical revenues; and

- operating leverage: projects and companies with greater proportions of fixed costs in their cost structure will generally be subject to more systematic risk than those with lesser proportions of fixed costs.

CAPM postulates that the return required on an investment or asset can be estimated by applying to the market risk premium a measure of systematic risk described as the beta factor. The beta for an investment reflects the covariance of the return from that investment with the return from the market as a whole. Covariance is a measure of relative volatility and correlation. The beta of an investment represents its systematic risk only. It is not a measure of the total risk of a particular investment. An investment with a beta of more than one is riskier than the market and an investment with a beta of less than one is less risky. The discount rate appropriate for an investment which involves zero systematic risk would be equal to the risk free rate.

The formula for deriving the cost of equity using CAPM is as follows:

$$Re = Rf + Beta\ (Rm - Rf)$$

Where:

Re	=	the cost of equity capital;
Rf	=	the risk free rate;
Beta	=	the beta factor;
Rm	=	the expected market return; and
Rm - Rf	=	the market risk premium.

The beta for a company or business operation is normally estimated by observing the historical relationship between returns from the company or comparable companies and returns from the market in general. The market risk premium is estimated by reference to the actual long run premium earned on equity investments by comparison with the return on risk free investments.

The formula conventionally used to calculate a WACC under a classical tax system is as follows:

$$WACC = (Re \times E/V) + (Rd \times (1-t) \times D/V)$$

Where:

E/V	=	the proportion of equity to total value (where V = D + E);
D/V	=	the proportion of debt to total value;
Re	=	the cost of equity capital;
Rd	=	the cost of debt capital; and
t	=	the corporate tax rate

The models, while simple, are based on a sophisticated and rigorous theoretical analysis. Nevertheless, application of the theory is not straightforward and the discount rate calculated should be treated as no more than a general guide. The reliability of any estimate derived from the model is limited. Some of the issues are discussed below:

- **Risk Free Rate**

  Theoretically, the risk free rate used should be an estimate of the risk free rate in each future period (i.e. the one year spot rate in that year if annual cash flows are used). There is no official "risk free" rate but rates on government securities are typically used as an acceptable substitute. More importantly, forecast rates for each future period are not readily available. In practice, the long term Commonwealth Government Bond rate is used as a substitute in Australia and medium to long term Treasury Bond rates are used in the United States. It should be recognised that the yield to maturity of a long term bond is only an average rate and where the yield curve is strongly positive (i.e. longer term rates are significantly above short term rates) the adoption of a single long term bond rate has the effect of reducing the net present value where the major positive cash flows are in the initial years. The long term bond rate is therefore only an approximation.

  The ten year bond rate is a widely used and accepted benchmark for the risk free rate. Where the forecast period exceeds ten years, an issue arises as to the appropriate bond to use. While longer

term bond rates are available, the ten year bond market is the deepest long term bond market in Australia and is a widely used and recognised benchmark. There is a very limited market for bonds of more than ten years. In the United States, there are deeper markets for longer term bonds. The 30 year bond rate is a widely used benchmark. However, long term rates accentuate the distortions of the yield curve on cash flows in early years. In any event, a single long term bond rate matching the term of the cash flows is no more theoretically correct than using a ten year rate. More importantly, the ten year rate is the standard benchmark used in practice.

Where cash flows are less than ten years in duration the opposite issue arises. An argument could be made that shorter term, and therefore lower, bond rates should be used in determining the discount rate for there assets. While Grant Samuel believes this is a legitimate argument, an adjustment may give a misleading impression of precision for the whole methodology. In any event, the impact on valuation would usually be trivial.

In practice, Grant Samuel believes acquirers would use a common rate. The ten year bond rate can be regarded as an acceptable standard risk free rate for medium to long term cash flows, particularly given its wide use.

- **Market Risk Premium**

The market risk premium (Rm - Rf) represents the "extra" return that investors require to invest in equity securities as a whole over risk free investments. This is an "ex-ante" concept. It is the expected premium and as such it is not an observable phenomenon. The historical premium is therefore used as a proxy measure. The premium earned historically by equity investments is calculated over a time period of many years, typically at least 30 years. This long time frame is used on the basis that short term numbers are highly volatile and that a long term average return would be a fair indication of what most investors would expect to earn in the future from an investment in equities with a 5-10 year time frame.

In the United States it is generally believed that the premium is in the range of 5-6% but there are widely varying assessments (from 3% to 9%). Australian studies have been more limited but indicate that the long run average premium has been in the order of 6% using a geometric average (and is in the order of 8% using an arithmetic average) measured over more than 100 years of data[1]. Even an estimate based over a very long period such as 100 years is subject to significant statistical error. Given the volatility of equity market returns it is only possible to state that the "true" figure lies within a range of approximately 2-10% at a 95% confidence level (using the geometric average).

In addition, the market risk premium is not constant and changes over time. At various stages of the market cycle investors perceive that equities are more risky than at other times and will increase or decrease their expected premium. Indeed, there are arguments being put forward at the present time that the risk premium is now lower than it has been historically. This view is reflected in the recent update of the Officer Study[2] which indicates that (based on the addition of 17 years of data to 2004) the long term arithmetic average has declined to 7.17% from 7.94%.

In practice, market risk premiums of 5-7% are typically adopted in Australia.

- **Beta Factor**

The beta factor is a measure of the expected covariance (i.e. volatility and correlation of returns) between the return on an investment and the return from the market as a whole. The expected beta factor cannot be observed. The conventional practice is to calculate an historical beta from past share price data and use it as a proxy for the future but it must be recognised that the expected beta is not necessarily the same as the historical beta. A company's relative risk does change over time.

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1 See, for example, R.R. Officer in Ball, R., Brown, P., Finn, F. J. & Officer, R. R., "Share Market and Portfolio Theory: Readings and Australian Evidence" (second edition), University of Queensland Press, 1989 ("Officer Study"), which was based on data for the period 1883 to 1987 and therefore was undertaken prior to the introduction of dividend imputation in Australia.

2 Gray, S. and Officer, R.R., "A Review of the Market Risk Premium and Commentary on Two Recent Papers: A Report prepared for the Energy Networks Association", August 2005.

The appropriate beta is the beta of the company being acquired rather than the beta of the acquirer (which may be in a different business with different risks). Betas for the particular subject company may be utilised. However, it is also appropriate (and may be necessary if the investment is not listed) to utilise betas for comparable companies and sector averages (particularly as those may be more reliable).

However, there are very significant measurement issues with betas which mean that only limited reliance can be placed on such statistics. Even measurement of historical betas is subject to considerable variation. There is no "correct" beta.

- **Debt/Equity Mix**

  The tax deductibility of the cost of debt means that the higher the proportion of debt the lower the WACC, although this would be offset, at least in part, by an increase in the beta factor as leverage increases.

  The debt/equity mix assumed in calculating the discount rate should be consistent with the level implicit in the measurement of the beta factor. Typically, the debt/equity mix changes over time and there is significant diversity in the levels of leverage across companies in a sector. There is a tendency to calculate leverage at a point in time whereas the leverage should represent the average over the period the beta was measured. This can be difficult to assess with a meaningful degree of accuracy.

  The measured beta factors for listed companies are "equity" betas and reflect the financial leverage of the individual companies. It is possible to unleverage beta factors to derive asset betas and releverage betas to reflect a more appropriate or comparable financial structure. In Grant Samuel's view this technique is subject to considerable estimation error. Deleveraging and releveraging betas exacerbates the estimation errors in the original beta calculation and gives a misleading impression as to the precision of the methodology. Deleveraging and releveraging is also incorrectly calculated based on debt levels at a single point in time.

  In addition, the actual debt and equity structures of most companies are typically relatively complex. It is necessary to simplify this for practical purposes in this kind of analysis.

  Finally, it should be noted that, for this purpose, the relevant measure of the debt/equity mix is based on market values not book values.

- **Specific Risk**

  The WACC is designed to be applied to "expected cash flows", which are effectively a weighted average of the likely scenarios. To the extent that a business is perceived as being particularly risky, this specific risk should be dealt with by adjusting the cash flow scenarios. This avoids the need to make arbitrary adjustments to the discount rate which can dramatically affect estimated values, particularly when the cash flows are of extended duration or much of the business value reflects future growth in cash flows. In addition, risk adjusting the cash flows requires a more disciplined analysis of the risks that the valuer is trying to reflect in the valuation.

  However, it is also common in practice to allow for certain classes of specific risk (particularly sovereign and other country specific risks) by adjusting the discount rate applied to forecast cash flows.

3 Calculation of WACC for the Jabal Sayid project

3.1 Cost of Equity Capital

The cost of equity capital has been estimated by reference to the CAPM. Grant Samuel has adopted a cost of equity capital in the range 10.2-11.4%.

- **Risk-Free Rate**

  Grant Samuel has adopted a risk free rate of 3.0%. The risk free rate approximates the current yield to maturity on ten year United States Treasury Notes.

- **Market Risk Premium**

  Grant Samuel has consistently adopted a market risk premium of 6.0% and believes that, particularly in view of the general uncertainty, this continues to be a reasonable estimate. It is:

  - not statistically significantly different to the premium suggested by the historical data;
  - similar to that used by a wide variety of analysts and practitioners; and
  - the same as that adopted by most regulatory authorities in Australia.

- **Beta Factor**

  Grant Samuel has adopted a beta factor in the range 1.2-1.4 for the purposes of valuing Jabal Sayid.

  Grant Samuel has considered the beta factors for a wide range of mining companies in determining an appropriate beta for Jabal Sayid. The betas have been calculated on two bases, relative to each company's home exchange index and relative to the Morgan Stanley Capital International Developed World Index ("MSCI"), an international equities market index that is widely used as a proxy for the global stock market as a whole.

  Grant Samuel has also considered betas estimated on the basis of share market data over various periods of time. Betas are, conceptually, estimates of the expected systematic risk added to a diversified portfolio by an investment (although they are estimated by reference to historical share market data). Estimates based on historical data do not necessarily reflect investor expectations.

A summary of betas for selected comparable listed companies is set out in the table below:

Equity Beta Factors for Selected Listed Mining Companies						
	Market Capital-isation (USD millions)	Monthly Observations over 4 years			Weekly Observations over 2 years	
		AGSM / LBS / Barra[3]	Bloomberg		Bloomberg	
Company			Local Index	MSCI[4]	Local Index	MSCI
Citadel	838	1.63	1.50	1.44	0.91	1.00
Diversified Mining						
Anglo American	51,959	1.58	1.84	1.73	1.68	1.74
BHP Billiton	202,480	0.99	1.03	0.90	1.44	1.24
Rio Tinto	147,764	1.43	1.28	1.07	1.47	1.15
Vale	132,007	1.19	0.83	1.00	1.02	1.12
Xstrata	53,381	1.36	1.64	1.51	2.48	2.57
Median		*1.36*	*1.28*	*1.07*	*1.47*	*1.24*
Weighted average		*1.23*	*1.18*	*1.09*	*1.47*	*1.35*
Copper - Producing						
Aditya Birla	328	4.99	4.62	4.82	3.08	2.79
Antofagasta	17,821	1.35	1.68	1.30	1.40	1.45
Anvil Mining	466	1.82	2.21	1.98	2.61	2.45
Equinox Minerals	3,590	1.98	2.54	1.95	1.78	1.84
OZ Minerals	4,147	2.05	1.81	1.81	1.46	1.19
PanAust	1,290	2.76	2.45	1.95	2.56	1.83
Teck Resources	22,553	2.56	3.11	3.15	2.77	2.61
Median		*2.05*	*2.45*	*1.95*	*2.56*	*1.84*
Weighted average		*2.06*	*2.44*	*2.27*	*2.10*	*2.01*
Copper - Development						
CuDeco	268	1.99	1.89	1.92	1.58	1.26
Discovery Metals	272	2.15	1.98	1.95	1.45	1.16
Sandfire	752	3.92	4.82	4.84	1.27	1.22
Median		2.15	*1.98*	*1.95*	*1.45*	*1.22*
Weighted average		3.15	*3.61*	*3.62*	*1.37*	*1.21*

Source: AGSM, Bloomberg, London Business School, Barra

The table shows outcomes that suggest it is extremely difficult to determine a reliable beta for Jabal Sayid:

- Citadel's beta varies significantly depending on the measurement source (AGSM, Bloomberg etc);
- individual copper producing company betas (for the same source/period) fall in a very wide range. For example, Bloomberg Four Year MSCI betas generally range from 1.30 (Antofagasta) to 4.82 (Aditya Birla) although the betas for Teck Resources (3.15) and Aditya Birla (4.82) should be treated as outliers;

[3] The Australian beta factors calculated by the Australian Graduate School of Management ("AGSM") as at 30 June 2010 over a period of 48 months using the Scholes-Williams technique. United Kingdom beta factors calculated by London Business School ("LBS") as at September 2010 over a period of 60 months using ordinary least squares regression or the Scholes-Williams technique (including lag) where the stock is thinly traded. Canadian and Brazilian beta factors are calculated by Barra, Inc. ("Barra") as at 31 August 2010 over a period of 60 months using ordinary least squares regression.

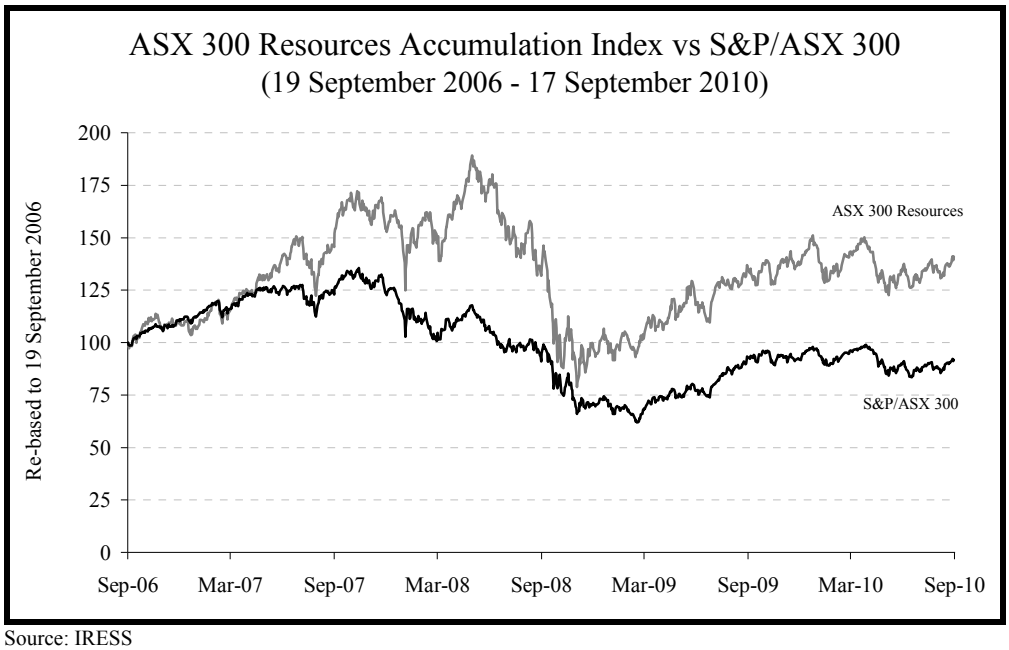
[4] The MSCI beta factor is calculated using the MSCI Developed World Local Currency Index.

- some individual company betas vary significantly depending on which market index is utilised (Local or MSCI);
- the two year betas are usually substantially lower than the four year betas. However, the longer term measures may be more reflective of the true risks of the industry;
- none of the other companies are directly comparable to the Jabal Sayid project; and
- gearing levels vary significantly but this is not always consistent with beta factors.

The beta estimates in the above table suggest that pure play copper companies have betas of well over 1.0 (indicating more systematic riskiness than the overall market), although large diversified mining companies such as BHP, Rio, Anglo American and Xstrata (which have significant exposure to copper and other base metals and bulk commodities) appear to have betas of closer to 1.

However, in Grant Samuel's view, it is not clear that beta calculations based exclusively on share market data for the last four years will provide reliable estimates of expected systematic riskiness.

Resources companies for some periods over the last four years have outperformed broader measures of equity market performance. This was largely the result of a substantial increase in prices for nearly all commodities, itself the result of the increasing impact of growing Chinese and other developing nations' demand for commodities, supply shortages, significantly increased production costs and other factors. The outperformance from March 2006 to May 2008 was reversed in the second half of 2008 as commodity prices fell precipitously in response to the development of global recessionary conditions. Since November 2008 however, resource companies have again outperformed the broader market.



Source: IRESS

In Grant Samuel's view the estimation of betas based purely on data over the last four years will potentially yield inappropriate results. The share price performance of listed resources companies in the context of what now appears (with the benefit of hindsight) to have been a commodities "bubble" until mid-2008, followed by a sharp correction and another period of strong performance is not necessarily reflective of expectations of future resource company share price performance relative to broader measures of equity markets.

Accordingly, Grant Samuel has had regard to betas estimated over various time periods based on share market data over the last twelve years. These were estimated in the context of the

Rio bid for North (July 2000), the Xstrata acquisition of MIM (April 2003) and the Xstrata bid for WMC (January 2005). This beta analysis is set out below:

Beta Factors for Selected Listed Resources Companies July 2000

Company	Equity Market Value Millions US$M	Beta Factor			
		Bloomberg[5]		AGSM[6]	
		Home Exchange	MSCI[7]	OLS	Scholes-William
Base Metals					
MIM Limited	1,024	1.40	0.99	1.91	1.49
Pasminco Limited	612	1.32	0.98	1.76	1.73
Cominco Limited	1,144	0.91	1.20	-	-
Phelps Dodge	3,075	1.03	1.13	-	-
Grupo Mexico	2,297	0.70	0.88	-	-
Western Metals	49	1.06	0.82	1.15	1.02
Asturiana de Zinc	407	1.08	1.41	-	-
Antafagasto	1,137	0.81	1.10	-	-
Union Miniere	960	0.81	1.10	-	-
Freeport McMoran	1,412	1.23	1.48	-	-
Teck Corporation	691	0.99	0.85	-	-
Simple average		*1.03*	*1.09*	*1.61*	*1.41*
Weighted average		*0.99*	*1.10*	*1.83*	*1.56*
Median		*1.03*	*1.10*	*1.76*	*1.49*

Source: AGSM, Bloomberg

5 Betas sourced from Bloomberg are calculated over a five year period to 30 June 2000 using monthly observations.

6 Betas sourced from AGSM are calculated over a four year period to 31 March 2000 using monthly observations. They are calculated relative to the All Ordinaries Index of the Australian Stock Exchange.

7 MSCI (Morgan Stanley Capital International All Countries World Index) calculated using the local currency of each company.

Beta Factors for Selected Listed Resources Companies April 2003

Company	Equity Market Value Millions US$M	Beta Factor					
		Bloomberg[8]				AGSM[9]	
		Home Exchange		MSCI[10]		OLS	Scholes-William
		Raw	Adj	Raw	Adj		
Base Metals							
Phelps Dodge Corporation	2,961	1.19	1.13	1.29	1.19	n.a.	n.a.
Freeport McMoRan Copper and Gold Inc	2,468	1.16	1.11	1.35	1.23	n.a.	n.a.
Xstrata plc	2,132	0.99	0.99	0.73	0.82	n.a.	n.a.
Antofagasta plc	2,020	0.73	0.82	0.73	0.82	n.a.	n.a.
Noranda Inc	2,001	0.59	0.72	0.69	0.80	n.a.	n.a.
MIM Holdings Limited	1,752	1.40	1.27	0.77	0.85	1.80	1.85
Teck Cominco Limited	1,409	0.61	0.74	0.59	0.73	n.a.	n.a.
Southern Peru Copper Corporation	1,231	0.66	0.78	0.71	0.81	n.a.	n.a.
Umicore SA	902	0.60	0.74	0.70	0.80	n.a.	n.a.
Grupo Mexico SA de CV	758	0.79	0.86	0.72	0.81	n.a.	n.a.
Boliden AB	181	0.78	0.85	1.42	1.28	n.a.	n.a.
Simple average		*0.86*	*0.91*	*0.88*	*0.92*	*1.80*	*1.85*
Weighted average		*0.93*	*0.95*	*0.90*	*0.93*	*1.80*	*1.85*
Median		*0.78*	*0.85*	*0.73*	*0.82*	*1.80*	*1.85*
Diversified							
BHP Billiton Limited	32,918	1.24	1.16	0.72	0.81	1.62	1.89
Rio Tinto Limited	29,423	1.25	1.17	0.69	0.80	1.73	1.76
Anglo American plc	21,314	1.36	1.24	1.13	1.09	n.a.	n.a.
Simple average		*1.28*	*1.19*	*0.85*	*0.90*	*1.68*	*1.83*
Weighted average		*1.27*	*1.18*	*0.81*	*0.88*	*1.67*	*1.83*
Median		*1.25*	*1.17*	*0.72*	*0.81*	*1.68*	*1.83*

Source: AGSM, Bloomberg

8 Betas sourced from Bloomberg are calculated over a five year period to 31 March 2003 using monthly observations.

9 Betas sourced from AGSM are calculated over a four year period to 31 December 2002 using monthly observations. They are calculated relative to the All Ordinaries Index of the Australian Stock Exchange.

10 MSCI (Morgan Stanley Capital International All Countries World Index) calculated using the local currency of each company.

Beta Factors for Selected Listed Resources Companies January 2005					
Company	Equity Market Value Millions US$M	Beta Factor			
		Bloomberg[11]		AGSM[12]	
		Home Exchange	MSCI[13]	OLS	Scholes-William
Diversified Mining					
BHP	70,676	1.17	0.60	1.38	2.02
Rio Tinto	41,265	0.77	0.57	0.91	1.12
Anglo American	33,042	1.10	1.05	n.a.	n.a.
CVRD	27,657	0.28	0.11	n.a.	n.a.
Xstrata	11,039	1.43	1.46	n.a.	n.a.
Median		*1.10*	*0.60*	*1.15*	*1.57*
Weighted Average		*0.95*	*0.65*	*0.74*	*1.03*
Copper					
Phelps Dodge	10,281	1.64	1.70	1.41[14]	n.a.
Freeport McMoRan	6,750	1.06	1.07	n.a.	n.a.
Teck Cominco	5,683	1.43	1.22	n.a.	0.63[15]
Grupo Mexico	4,163	1.30	0.87	n.a.	n.a.
Antofagasta	4,047	0.64	0.64	n.a.	n.a.
Southern Peru Copper	3,720	0.79	0.81	0.59[1]	n.a.
Median		*1.18*	*0.97*	*1.00*	*0.63*
Weighted Average		*1.24*	*1.18*	*1.19*	*0.63*

Source: AGSM, Bloomberg

The evidence suggests a wide range of betas. However, for betas measured against the MSCI, the betas tend to be around 1 (and for some periods arguably appear somewhat lower than 1). Beta estimates are by their nature imprecise and judgmental, as highlighted by the shift in measured betas illustrated in the tables above.

Taking all of these factors into account and the fact that significant capital expenditure is required to develop the project, which results in an increased sensitivity to systematic risks, Grant Samuel believes that a beta in the range 1.2-1.4 is a reasonable estimate of the appropriate beta for the Jabal Sayid project.

3.2 Cost of Debt

A cost of debt of 5.0-6.0% has been adopted (a margin of 2.0-3.0% over the risk free rate). This figure represents the expected future cost of borrowing over the duration of the cash flow model. Grant Samuel believes that this would be a reasonable estimate of an average interest rate, including a margin that would match the duration of the cash flows assuming that the operations were funded with a mixture of short term and long term debt. This assumption is broadly consistent with feedback Citadel has received from interested debt providers.

11 Betas sourced from Bloomberg are calculated over a five year period to 30 November 2004 using monthly observations.

12 Betas sourced from AGSM are calculated over a four year period to 30 September 2004 using monthly observations. They are calculated relative to the All Ordinaries Index of the Australian Stock Exchange.

13 MSCI (Morgan Stanley Capital International All Countries World Index) calculated using the local currency of each company.

14 Sourced from Ibbotson.

15 Sourced from the Financial Post Data Group, calculated based on 60 months of monthly data.

3.3 Debt/Equity Mix

The selection of the appropriate debt/equity ratio involves perhaps the most subjectivity of all the elements of discount rate selection analysis. In determining an appropriate debt/equity mix, regard was had to gearing levels of Citadel and the peer group companies used in the beta analysis.

Gearing levels for these companies for the past four years are set out below:

Gearing Levels for Selected Listed Mining Companies

	Net Debt/(Net Debt + Market Capitalisation)					
	Year Ended					
Company	**2006**	**2007**	**2008**	**2009**	**Current[16]**	**Average**
Citadel	**(2.2)**	**(8.3)**	**(7.7)**	**(55.2)**	**(34.8)**	**(18.4)**
Diversified Mining						
Anglo American	4.0	5.8	26.1	15.4	15.9	12.8
BHP	5.6	3.5	3.4	1.8	3.8	3.6
Rio Tinto	3.4	22.7	51.5	11.9	7.3	22.4
Vale	20.6	10.7	12.4	10.1	12.5	13.5
Xstrata	21.3	14.4	60.7	15.9	12.7	28.1
Median	*5.6*	*10.7*	*26.1*	*11.9*	*12.5*	*13.5*
Weighted average	*9.7*	*11.2*	*24.7*	*8.7*	*8.5*	*13.6*
Copper - Producing						
Aditya Birla	n.a.	14.7	(1.1)	76.1	1.4	29.9
Antofagasta	(15.8)	(15.1)	(66.9)	(10.3)	(9.1)	(27.0)
Anvil Mining	(35.0)	(33.8)	2,095	(35.7)	(15.7)	n.m.[17]
Equinox Minerals	(8.7)	6.1	45.7	13.3	6.8	14.1
OZ Minerals	(5.9)	3.1	n.a.	(35.5)	(42.4)	(12.8)
PanAust	(24.4)	10.6	74.5	0.9	(0.4)	15.4
Teck Resources	(24.7)	0.7	79.8	23.5	17.4	19.8
Median	*(20.1)*	*3.1*	*45.7[18]*	*0.9*	*(0.4)*	*14.8[18]*
Weighted average	*(18.8)*	*(4.3)*	*(0.5)[18]*	*5.1*	*1.5*	*(11.3)[18]*
Copper - Development						
CuDeco	0.9	(5.0)	(8.1)	(18.8)	(20.2)	(7.7)
Discovery Minerals	(11.1)	(7.4)	(9.8)	(21.9)	(6.5)	(12.6)
Sandfire	(30.7)	(56.7)	(3.0)	(15.2)	(7.4)	(26.4)
Median	*(11.1)*	*(7.4)*	*(8.1)*	*(18.8)*	*(7.4)*	*(12.6)*
Weighted average	*(20.0)*	*(35.6)*	*(5.5)*	*(17.4)*	*(9.9)*	*(19.6)*

Source: Bloomberg

The selection of gearing levels is highly judgemental. The table shows a very wide range of gearing levels. The debt levels should actually be the weighted average measured over the same period as the beta factor rather than just at the current point in time. Moreover, these do not always bear any relationship to the betas of the individual companies.

Having regard to the above, the debt/equity mix has been estimated as 15-30% debt and 85-70% equity. This is regarded as being broadly consistent with a beta factor of 1.2-1.4.

16 Current gearing levels are based on the most recent balance sheet information and on sharemarket prices as at 19 September 2010.

17 Not meaningful.

18 Anvil Mining is excluded from the median and weighted average calculation because it was a strong outlier.

3.4 WACC

On the basis of the parameters outlined and assuming a corporate tax rate of 20% and a withholding tax on dividends of 5%, the nominal WACC is calculated to be in the range 8.3-10.4%.

This is an after tax discount rate to be applied to nominal ungeared after tax cash flows. However, it must be recognised that this is a very crude calculation based on statistics of limited reliability and involving a multitude of assumptions.

Having regard to these matters, current volatility and market uncertainty, and the calculations and data set out above, Grant Samuel has adopted discount rates of 8.5-10.5% (US dollar cash flows) for the purpose of its DCF analysis. While the range is reasonably wide, Grant Samuel believes that the range of rates is reasonable having regard to current equity market conditions.

4 Dividend Imputation

The conventional WACC formula set out above was formulated under a "classical" tax system. The CAPM model is constructed to derive returns to investors after corporate taxes but before personal taxes. Under a classical tax system, interest expense is deductible to a company but dividends are not. Investors are also taxed on dividends received. Accordingly, there is a benefit to equity investors from increased gearing.

Under Australia's dividend imputation system, domestic equity investors now receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be added into any analysis of value.

There is no generally accepted method of allowing for dividend imputation. In fact, there is considerable debate within the academic community as to the appropriate adjustment or even whether any adjustment is required at all. Some suggest that it is now appropriate to discount pre tax cash flows, with an increase in the discount rate to "gross up" the market risk premium for the benefit of franking credits that are on average received by shareholders. On this basis, the discount rate might increase by approximately 2% but it would be applied to pre tax cash flows. However, not all of the necessary conditions for this approach exist in practice:

- not all shareholders can use franking credits. In particular, foreign investors gain no benefit from franking credits. If foreign investors are the marginal price setters in the Australian market there should be no adjustment for dividend imputation;
- not all franking credits are distributed to shareholders; and
- capital gains tax operates on a different basis to income tax. Investors with high marginal personal tax rates will prefer cash to be retained and returns to be generated by way of a capital gain.

Other have proposed a different approach involving an adjustment to the tax rate in the discount rate by a factor reflecting the effective use or value of franking credits. If the credits can be used, the tax rate is reduced towards zero. The proponents of this approach have in the past suggested a factor of up to 50% as representing the appropriate adjustment (gamma). Alternatively, the tax charge in the forecast cash flows can be decreased to incorporate the expected value of franking credits distributed.

There is undoubtedly merit in the proposition that dividend imputation affects value. Over time dividend imputation will become factored into the determination of discount rates by corporations and investors. In Grant Samuel's view, however, the evidence gathered to date as to the value the market attributes to franking credits is insufficient to rely on for valuation purposes. More importantly, Grant Samuel does not believe that such adjustments are widely used by acquirers of assets at present. While acquirers are undoubtedly attracted by franking credits there is no clear evidence that they will actually pay extra for them or build it into values based on long term cash flows. The studies that measure the value attributed

to franking credits are based on the immediate value of franking credits distributed and do not address the risk and other issues associated with the ability to utilise them over the longer term. Accordingly, it is Grant Samuel's opinion that it is not appropriate to make any such adjustments in the valuation methodology. This is a conservative approach.

Appendix 2

Overview of the Copper Market

1 Overview

Copper is valued for its electrical and thermal conductive properties, its durability and its strength. Copper is the second most commonly used non-ferrous metal after aluminium. It readily alloys with other metals and is resistant to corrosion. These properties allow copper to be used in a wide range of applications in building and construction, electrical applications, electronics and communication, transportation, industrial machinery and equipment, consumer and general products.

Copper is mined in open pit and underground mines. The orebodies contain a percentage of copper that is generally less than 5% of the ore. The miners either produce a copper concentrate (which is sold to smelters or traders) or copper metal (which is sold to end users or traders). Over the past decade, the commissioning of large copper mines that produce copper metal using solvent extraction/electrowinning ("SX/EW") metallurgical processes has resulted in additional, low cost copper production.

Recycled copper is a significant secondary source of copper. Copper and its alloys have been recycled for hundreds of years and account for a substantial proportion of the copper produced and sold each year.

2 Applications

Copper is one of the first metals to be used by humans though its role has evolved over time. Since the discovery of electricity and magnetism in the 18th and 19th centuries, copper has found widespread use in electrical goods and wires and is used across a wide range of industries. Copper can be easily recovered and recycled.

Building and Construction

The building and construction industry is the largest consumer of copper. Non-corrosive copper pipes have been used for plumbing in buildings for centuries because they can be easily joined metallurgically by brazing or soldering. Copper and its alloys are now extensively used in building construction for wiring, water piping, gas tubing, roofing, architectural building design, heating and air conditioning systems, interior and exterior artwork, doorknobs, lightning rods, faucets, and fire sprinkler systems. Copper does not burn or support combustion and is therefore relatively safe.

Electrical, Electronics and Communication

Copper is malleable, ductile and is a good conductor of electricity at room temperature. It is widely used in electric generators, household electrical wiring and wiring in appliances, lights, motors, radios and TV sets. Copper wires are used extensively in telecommunication networks for high speed transfer of voice and data. In the semiconductor industry, copper is used in microprocessor chips to transfer heat from the chip circuitry.

Industrial Machinery and Equipment

Copper readily forms alloys with other metals. Some alloys are commonly used in industrial machinery and equipment. Copper and its alloys are preferred for making products such as gear sets, bearings, and turbine blades because of their durability, machinability and ease of casting with high precision and tolerance.

Transportation

Copper is also used in the automobile, aerospace and railway industries. For many years, the radiator was the most important end use of copper in the automobile industry. However, the usage of copper in automotive electrical and electronic applications has grown rapidly while its use in the heat exchanger has declined. In the aerospace industry, the mechanical properties of copper alloys including their good strength-to-weight ratios, bearing strength and fatigue and corrosion resistance have favoured the use of these alloys in undercarriage components, aero engine bearings, bushings, display unit components, and

helicopter motor spindles. A large amount of copper is used in railway systems for electrification and in the manufacture of switchgears and motor windings.

General Products

Copper and its alloys are commonly used in home furnishing and kitchenware. Traditionally, copper has also been used in the manufacture of coins and medallions.

3 The Copper Market

Demand for copper has increased substantially driven largely by increased consumption in China and the rest of Asia, which more than offset declines in Europe and America. Production has also increased with Asia contributing most of the growth. Copper prices were generally strong in recent years but fell to five-year lows in December 2008. Statistics for the global refined copper market are summarised as follows:

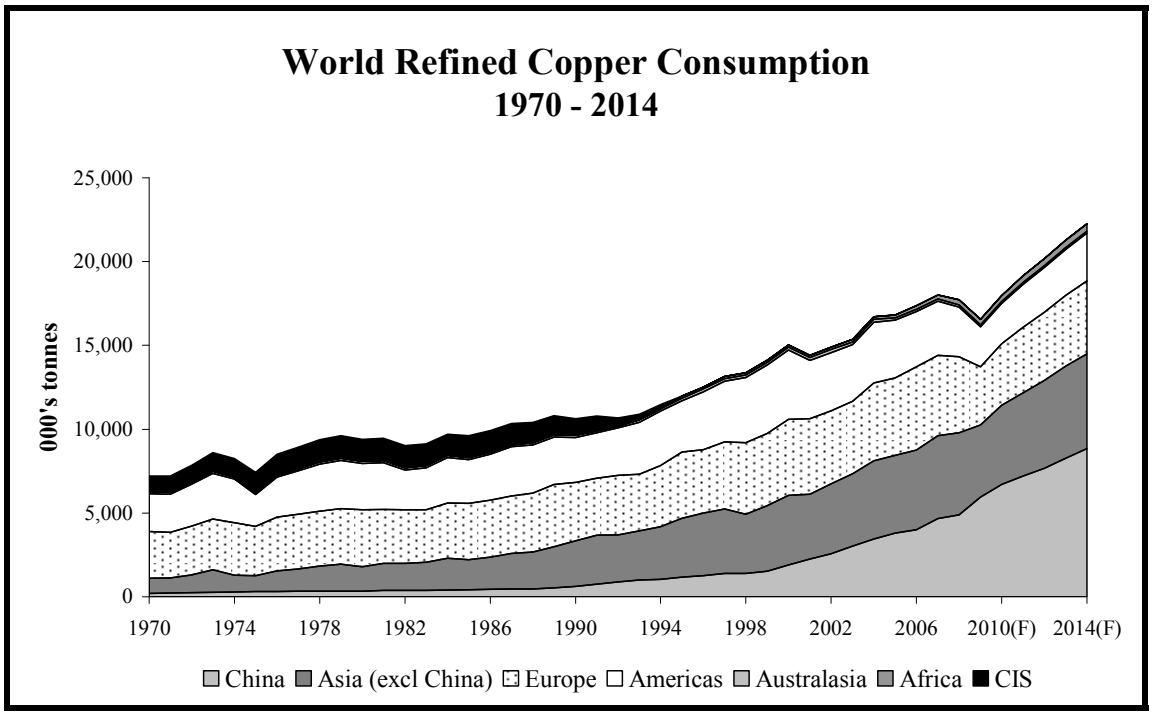
World Copper Market

	2005	2006	2007	2008	2009
Copper Consumption					
Africa	179	216	258	306	322
America	3,450	3,281	3,217	2,946	2,399
Asia	8,437	8,745	9,607	9,794	10,261
of which China	*3,810*	3,998	4,655	4,887	5,937
Europe	4,622	4,990	4,805	4,538	3,458
Australasia	133	136	138	134	112
Total consumption	**16,821**	**17,367**	**18,026**	**17,719**	**16,552**
Copper Production					
Africa	551	623	713	597	625
America	5,745	5,696	5,728	5,787	5,659
Asia	6,421	7,047	7,670	7,796	8,057
Europe	3,361	3,426	3,364	3,439	3,319
Australasia	441	427	442	510	446
Total production	**16,518**	**17,218**	**17,924**	**18,130**	**18,122**
World copper stockpile (000's tonnes)	**452**	**592**	**558**	**745**	**1,004**
LME Cash Average (US¢/lb)	**167**	**305**	**323**	**315**	**234**

Source: Citadel

Copper Consumption

The demand for copper is heavily influenced by the level of economic activity and infrastructure development in the world. Between 1970 and 2009, world consumption of refined copper has increased consistently, except for some brief periods over the years and a sharp decline in 2009. It more than doubled from approximately 7.3 million tonnes in 1970 to 16.5 million tonnes in 2009. Market commentators are forecasting an increase in the world copper consumption over the next several years. A breakdown of historical and short term worldwide copper consumption is shown on the chart below:



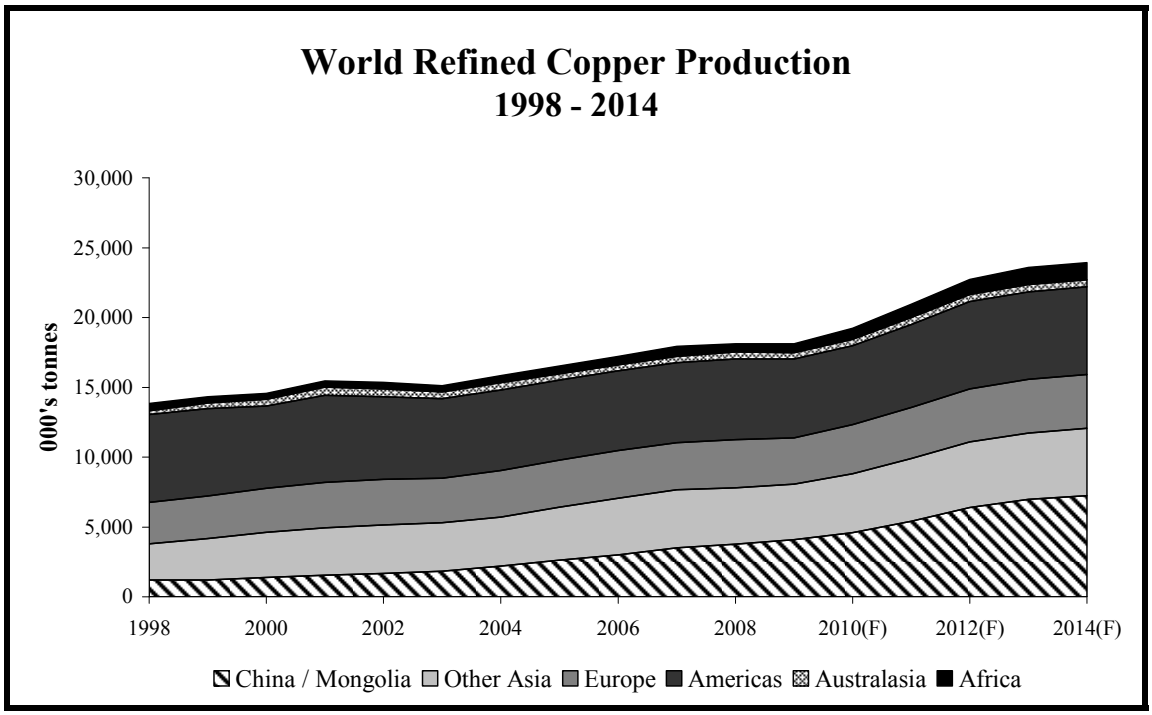
Source: Citadel

During the first half of the period, Europe and North America accounted for a large share of copper consumption. Since the early 1990s, consumption in those regions has generally remained flat while rising consumer demand and infrastructure development in China and other Asian developing nations have resulted in strong growth in demand. Consumption in China has grown at double digit rates in seven of the last ten years. This has been the result of strong growth in the use of wire and cable for telecommunications and information technology, despite substitution by improved alloys and the introduction of generally smaller, more efficient products in some applications.

In 2009 however, copper consumption is estimated to have declined by approximately 8% year on year. The approximately 15% increase in copper consumption in China was insufficient to offset the large decline in consumption in the developed nations with the consumption in North America declining by 20% and that in Europe by 23%.

Copper Production

As shown in the chart below, world refined copper production has increased by approximately 40% since 1992, with the emergence of China/Mongolia as a major producer and the continued increase in production from the rest of Asia and South and Central America:



Source: Citadel

Mined copper accounts for approximately 70% of the total refined copper produced. Recycling from scrap accounts for the remaining 30%. Copper miners produce either copper concentrate (generally from flotation treatment of primary copper deposits), which is treated and refined to produce refined copper, or copper metal (including by way of SX/EW treatment of copper oxide ore bodies).

A large proportion of production is from mines owned by large integrated international producers and industry consolidation continues to increase concentration. Copper mine production continues to be dominated by Chilean mines, which accounted for approximately one third of total production in 2009. Other major producing areas are Asia and Australasia. Production from many large existing mines is expected to decline due to falling ore grades and depletion of reserves. A number of major mines expected to be developed in the next five years are located in countries with higher levels of perceived risk, including the Democratic Republic of the Congo, Mongolia, Papua New Guinea and Zambia.

Although the share of direct metal production (largely through SX/EW processes) has been steadily increasing, copper concentrates still represent almost two thirds of refined copper production. The production of copper concentrate from mines has increased over the last few years, but has been outpaced by the growth in worldwide smelter capacity.

World Copper Concentrate Supply/Demand (000's tonnes contained copper)					
	2005	**2006**	**2007**	**2008**	**2009**
Mine production of concentrate	**12,048**	**11,932**	**12,272**	**12,192**	**12,350**
Smelter Production	12,407	12,797	13,010	13,085	13,171
Adjustment for secondary production & losses	(554)	(621)	(641)	(664)	(724)
Smelter consumption of concentrate	**11,880**	**12,176**	**12,369**	**12,421**	**12,447**
World Balance	**168**	**(244)**	**(97)**	**(229)**	**(98)**

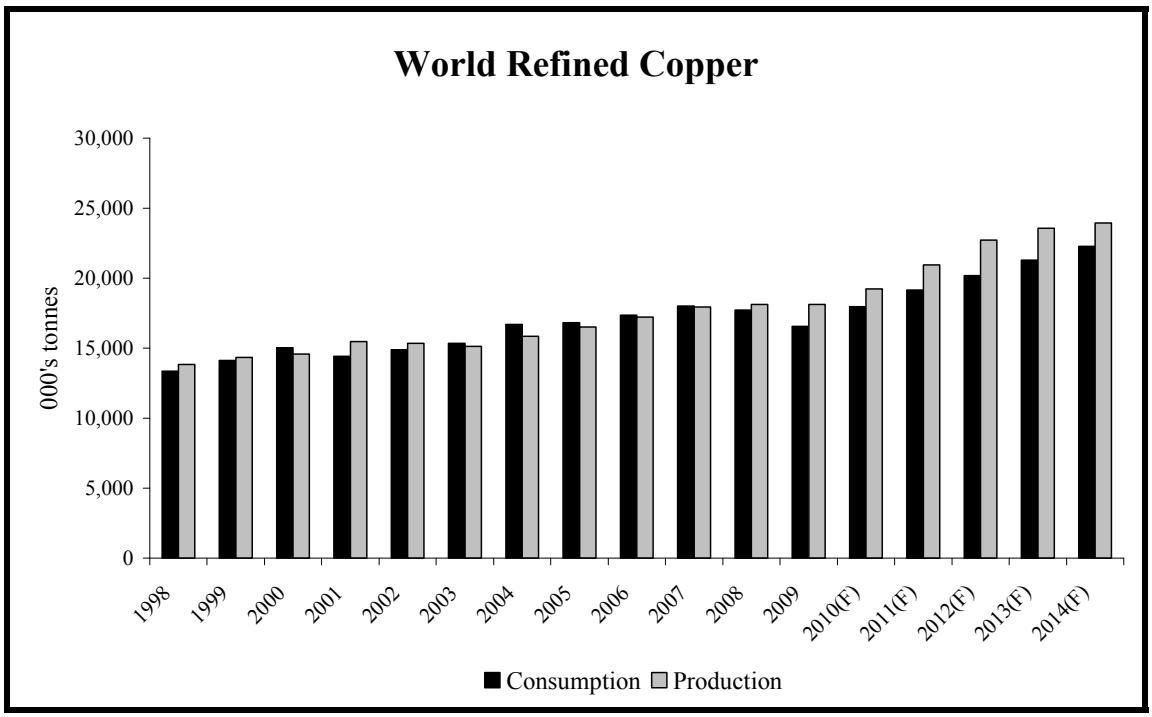
Source: Citadel

The resulting imbalance between the supply of and demand for concentrates has shifted smelting terms in favour of copper concentrate producers. They have been able to negotiate favourable treatment terms with low treatment charges and no price participation. With additional smelter capacity committed for

the next couple of years, smelting terms are expected to remain favourable to miners in the short term. In the longer term, smelter capacity is expected to adjust to match concentrate supply and treatment charges should ultimately reflect smelter operating costs and the cost of capital.

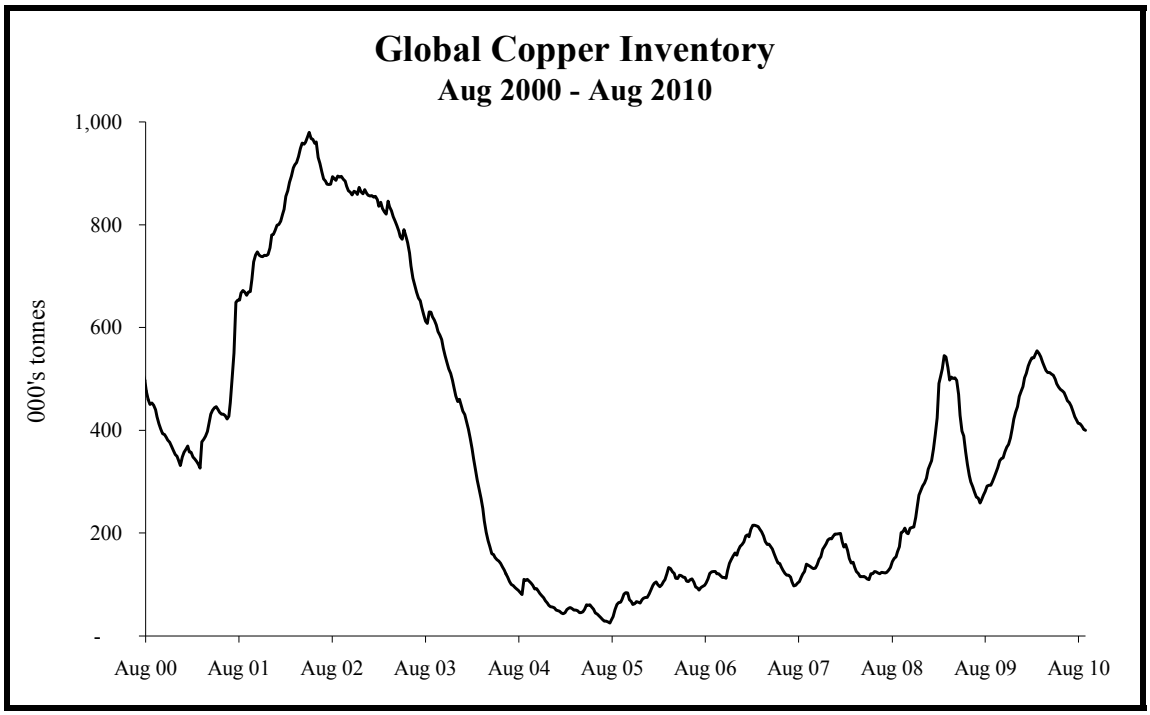
Copper Inventories

Copper production and consumption from 1998 to 2014 are shown below:



Source: Citadel

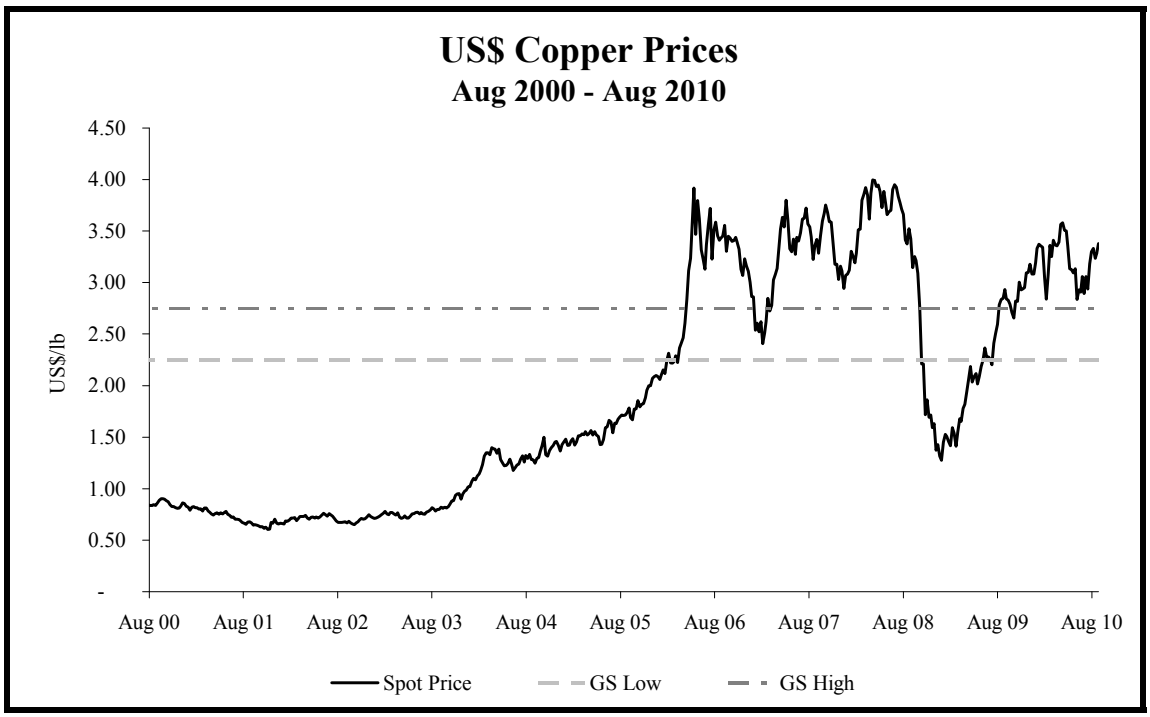
Between 1998 and 2002, worldwide copper production consistently exceeded consumption except in 2000. In 2003, consumption was slightly higher than production, but then jumped in 2004 and remained higher than production until 2007. Since then, copper production has been higher than consumption, which is expected to remain the case until 2014. As a result, copper inventories fell sharply from their highs of May 2002 to reach a low in July 2005. Copper stocks remained relatively low until late 2008 and have been very volatile since. The following chart shows movements in copper inventories between August 2000 and August 2010:



Source: Bloomberg

Copper Price

The LME spot copper price between August 2000 and August 2010 and the long run copper price assumptions in the range of US$2.25-US$2.75 per pound adopted by Grant Samuel for the valuation are shown on the chart below:

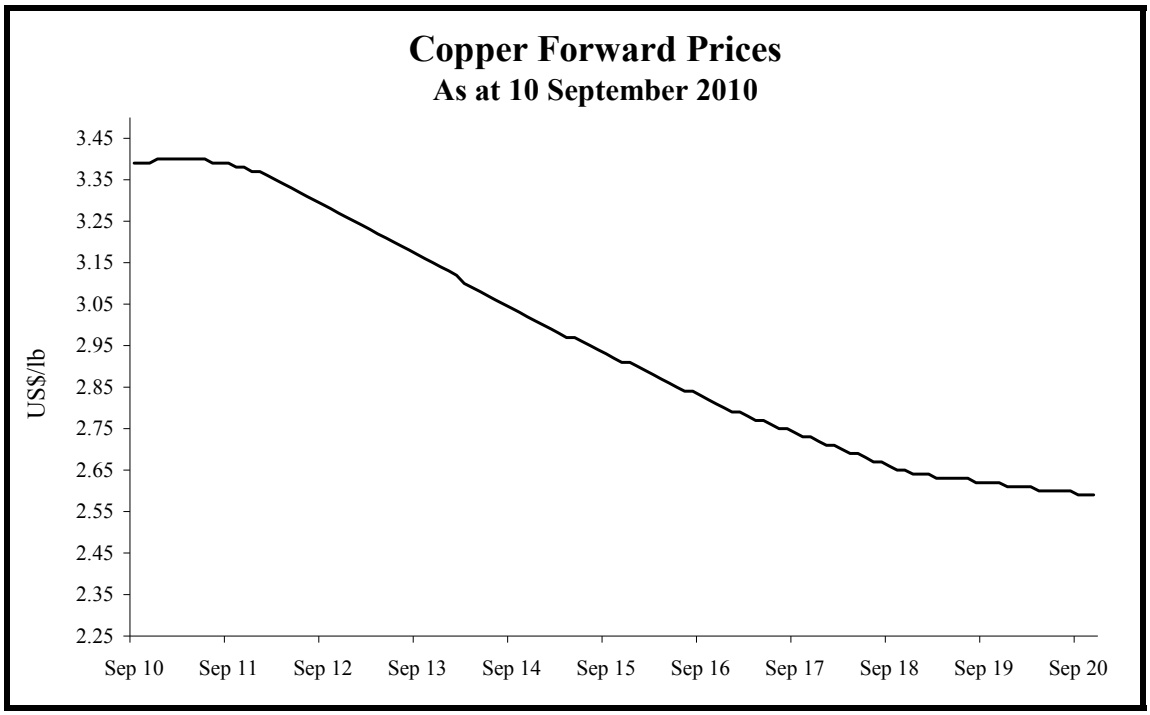


Source: Bloomberg

After trading below US$1.00 per pound for a long period, the copper price strengthened steadily in 2004 and 2005, possibly as a result of sharply decreasing stocks, and closed at US$2.06 per pound on

31 December 2005. 2006 saw a dramatic increase in the copper price, which peaked at US$3.99 per pound on 11 May 2006. The copper price remained very high for the following two years, trading in the range US$2.40-4.00 per pound although volatility was higher than historically. In the second half of 2008, the copper price declined dramatically, reaching lows of US$1.27 per pound on 24 December 2008. A strong recovery followed in 2009 and continued into 2010, although volatility remains high.

The following chart shows pricing for copper forwards contracts for various time periods:



Source: Bloomberg

The forward prices decline over time and are broadly consistent with the long run nominal copper price assumptions adopted by Grant Samuel. Similarly, while there is little consensus among market commentators as to future copper prices, Grant Samuel's long term copper forecast range of US$2.25-US$2.75 per pound is broadly consistent with the long term forecasts of market commentators and analysts.

Appendix 3

Report by AMC Consultants Pty Ltd

AMC Consultants Pty Ltd

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17 September 2010

The Directors
Grant Samuel & Associates Pty Ltd
Level 6, 1 Collins Street
MELBOURNE VIC 3000

Dear Sirs

AMC 310078 CITADEL RESOURCES GROUP SPECIALIST'S TECHNICAL REPORT

AMC Consultants Pty Ltd (AMC) is pleased to provide an updated specialist's technical report (Report) on certain matters relating to the Jabal Sayid mineral assets of Citadel Resources Group, located in Saudi Arabia.

AMC has completed its engagement as a Specialist in accordance with the VALMIN Code[1]. The Report has been prepared in the following form:

- Introduction.
- A brief description of the Jabal Sayid Project including AMC's comments and opinions on certain technical aspects of the project.
- Summaries of the detailed production and cost schedules prepared by AMC and provided separately to Grant Samuel & Associates Pty Ltd (Grant Samuel) for valuation purposes.
- Valuation of Jabal Sayid exploration assets.
- Sources of information.
- Qualifications.

Definitions of abbreviations used in the Report have been included in Appendix A.

Yours faithfully

Mike Thomas
M AusIMM (CP)
Director

[1] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition, Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

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Distribution list:

1 (electronic) copy to	Mr Stephen Cooper, Grant Samuel & Associates Pty Ltd
1 copy to	AMC Brisbane Office

1 INTRODUCTION

1.1 Context of this Report

On 8 September 2010, Citadel Resource Group Limited (Citadel) announced that agreement had been reached with its joint venture partners, Abdul Hadi Al Qahtani and Partners Maritime and Oilfield Services Limited (AQM) and Dr Said Al Qahtani, on ownership of the Jabal Sayid project. Under the agreement, Citadel will move to a holding of 100% in Bariq Mining Limited, the owner of the Jabal Sayid project, in consideration of US$112.5M

The Directors of Citadel commissioned Grant Samuel & Associates Pty Ltd (Grant Samuel) to provide an independent expert's report on whether the proposed transaction envisaged by the agreement is fair and reasonable to Citadel's shareholders. At the request of Grant Samuel in its role as independent expert, Citadel has engaged AMC Consultants Pty Ltd (AMC) as a Specialist[2], to advise Grant Samuel on certain technical matters relating to the Jabal Sayid mineral assets of Citadel in Saudi Arabia and, in particular, to provide Grant Samuel with:

- A specialist's technical report (the Report), including a description of the mineral assets and their planned development, conclusions as to the reasonableness of the mineral resource and ore reserve estimates reported by Citadel, and the extent to which they have been reported in accordance with the JORC Code[3].
- Schedules of prospective production and capital and operating costs for the Jabal Sayid Project, that AMC believes are based on reasonable grounds in accordance with Australian Securities and Investment Commission Regulatory Guidelines 170.
- A valuation of Citadel's Jabal Sayid exploration prospects, development of which has not been included in the production schedules for the Jabal Sayid Project provided in this Report.

The effective date of this Report is 12 September 2010 and is an update of a specialist technical report completed by AMC for Grant Samuel in June 2010, in response to Citadel increasing its holding in Bariq Mining Limited to 70%

In letters relating to AMC's engagement, Citadel has agreed to comply with the obligations of the commissioning entity under the VALMIN Code, including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information has been made.

In preparing the Report, AMC has relied on information provided by Citadel, and AMC has no reason to believe that information is materially misleading or incomplete, or contains any material errors. Citadel has been provided with drafts of the Report to enable correction of any factual errors, and notation of any material omissions. The views, statements, opinions and conclusions expressed by AMC are based on the assumption that all data provided to it by Citadel are complete, factual and correct to the best of Citadel's knowledge.

During preparation of the previous report (June 2010), AMC visited the Jabal Sayid Project site, reviewed technical reports and management information that it considered material, and held discussions with Citadel staff in Saudi Arabia and in offices in Brisbane and Melbourne. During preparation of this Report, AMC has reviewed new information and held telephone discussions with Citadel staff in Melbourne.

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[2] As defined under section D10 of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code), 2005.

[3] As defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition, Effective December 2004, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards, and is based on data that AMC considers to be of acceptable quality and reliability. Where AMC has not been satisfied, it has included comment in the Report, and where necessary reflected these comments in the estimates and forecasts provided to Grant Samuel.

AMC's use in the Report of the terms mineral resources and ore reserves is in accordance with the JORC Code. The mineral resource estimates presented as tables in the Report are reproductions of those publically reported by Citadel, except that AMC has reformatted the tables for consistency with the style of the Report, and applied rounding adjustments and totals to some of the tables where it considered this necessary for clarity.

AMC has not performed, nor does it accept the responsibilities of a Competent Person as defined by the JORC Code, in respect to the mineral resource and ore reserve estimates presented in the Report. In some of the exploration property descriptions, and in some schedules of prospective production provided to Grant Samuel, additional potential mineralisation has been included and clearly highlighted as distinct from mineral resources and ore reserves.

AMC has not been commissioned to carry out an independent review of the status of Citadel's tenements, but has received from Citadel an independent review of its exploration and mining tenements[4], which concludes that the tenements are in good standing.

AMC's review of operating costs has been restricted to site based costs, the cost of concentrate transportation to the coast, and ship loading at the port. State or third-party royalties, taxes, concentrate shipping costs, smelting and refining charges, have not been reviewed and are not included in cost projections detailed in the Report.

Unless otherwise stated, all monetary values in the Report are expressed in United States dollars (US$), and all costs are presented on a cash cost basis. Historical costs are in nominal terms. Production and costs are reported on a calendar (January to December) basis except where otherwise specified.

1.2 Location of Citadel's Mineral Assets

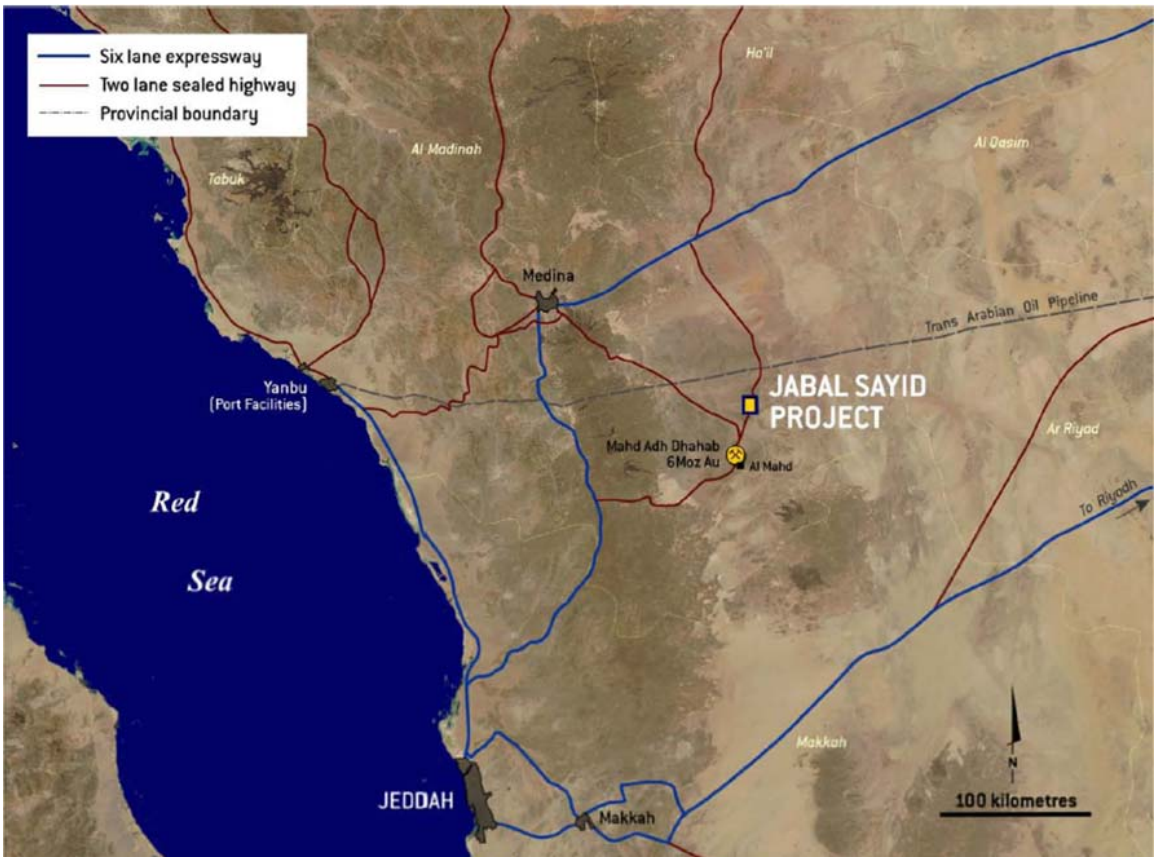
Jabal Sayid is held by Bariq Mining Limited (Bariq). Bariq is the joint venture company for the project, with the shareholders being Vertex Group (Middle East) WLL, a wholly owned subsidiary of Citadel Resource Group Limited (Citadel), AQM and Dr Said Al Qahtani..

Figure 1.1 shows the location of the Jabil Sayid project in Saudi Arabia.

The Jabal Sayid project is located in a mountainous arid area. Access to the project is by high-quality sealed roads. The major city of Jeddah and the port of Yanbu provides heavy industrial and port facilities. The project is located reasonably close to the existing Ma'aden Al Mahd mine, and the village of Mahd Adh Dhahab, which has a long history as a mining centre.

[4] Ahmed Yaki Zamani, Lawyers and Legal Consultants, letter dated 3 February 2010, Citadel Tenements.

Figure 1.1 Jabil Sayid Project Location in Saudi Arabia



1.3 Regional Geology

Jabil Sayid is located in the prospective Neo-Proterozoic Arabian Shield. The shield continues west of the Red Sea into Egypt and Sudan as the Nubian shield. The rocks are 600 to 1,000 million years old, and contain two major structurally controlled mineralised zones; the Samran Shayban Mineral Belt, which extends from Sudan, north-east past Mahd Adh Dhahad, and a second, parallel north-east trending Wadi Kamal Mineralised zone, which extend from the Nile valley, in Egypt, into northern Saudi Arabia.

The shield has similarities to many mineralised Proterozoic shields around the world. The Arabian Shield hosts a wide variety of mineral systems including porphyry copper-gold, epithermal gold and volcanic hosted massive sulphide (VHMS) deposits, many of which are gold rich, and Ultramafic hosted nickel-copper deposits.

The Bureau de Recherches Géologiques et Minières (BRGM), carried out a regional mapping programme during the 1960s. The programme was aided significantly by the presence of ancient mining activity, including multiple pits, adits and slag dumps, on approximately 1,000 sites. More than 6,000 defined prospects and occurrences were identified by BRGM, many of which have not been progressed beyond rudimentary first pass exploration.

Until the change in the mining law in 2004, all exploration, including work by BRGM, had been carried out under contract to the Saudi Arabian government, The exceptions being exploration by the government owned Saudi Arabian Mining Company (Ma'aden), and a government joint venture with American Smelting and Refining Company (ASARCO) from 1936 to 1954.

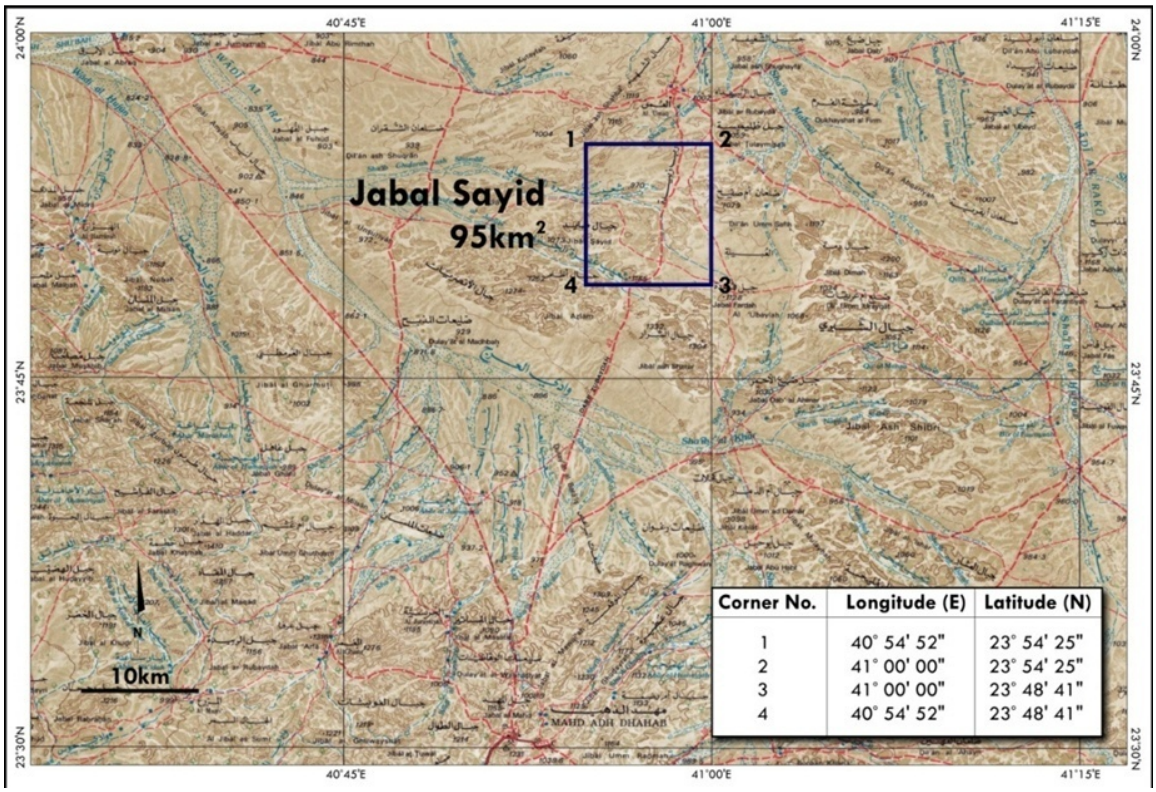
2 THE JABAL SAYID PROJECT

2.1 Introduction

The Jabal Sayid copper-gold project is located within an Exploration Licence, Deputy Ministry of Mineral Resources (DMMR) Number 47, held for Citadel at the time by Central Mining Investments Limited (CMCI), the Licence was granted on 31 July 2006 and is due to expire on 7 June 2011[5].

The Licence area is approximately 350 km north-east of Jeddah, and is accessed by a multi-lane sealed expressway from Jeddah, followed by a sealed two-lane highway to within 2 km of the project site. On 13 September 2008, the Minister of Petroleum and Mineral Resources approved the transfer of the Jabal Sayid exploration licence to Bariq. The Exploration Licence, which occupies 95 km^2, is shown in Figure 2.1.

Figure 2.1 Jabal Sayid – Exploration Licence Area



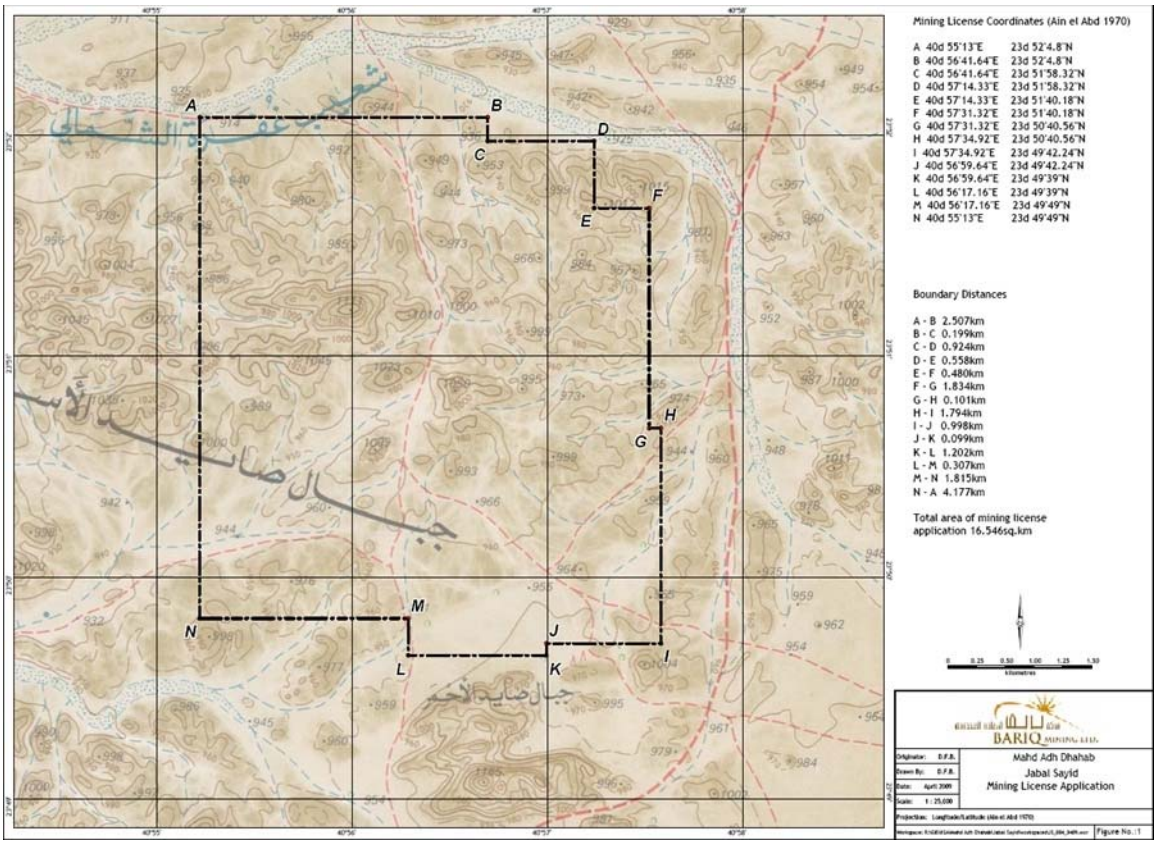
On 24 May 2010 Citadel announced that the Deputy Ministry of Mineral Resources in Saudi Arabia had issued to Bariq a Mining Licence over a defined mining and processing area within the Exploration Licence area. The Mining Licence authorises Bariq the unilateral right to exploit gold ore, copper, lead, zinc, sulphur, nickel and cobalt prevalent in the licence area. AMC has sighted a certified translation of the Licence documentation. The Licence covers an area of 16.546 km^2 and is shown in Figure 2.2.

A feasibility study, referred to as a Definitive Feasibility Study (DFS), has been completed for Bariq by Citadel. SNC-Lavalin Australia, a subsidiary of SNC-Lavalin Group Inc, Coffey Mining Pty Ltd and other consultants contributed to the DFS. The DFS was completed in December 2009 and follows on from a previous feasibility study, completed by Bariq in February 2009.

[5] According to the expiry date included in the Yamani Licence Schedule report

In 2010, Citadel revised the project development schedule and updated some of the costings as appropriate. AMC has reviewed the revised DFS (DFS_REV) and considers the changes to be reasonable. The DFS_REV forms the basis of this Report.

Figure 2.2 Jabal Sayid – Mining Licence Area



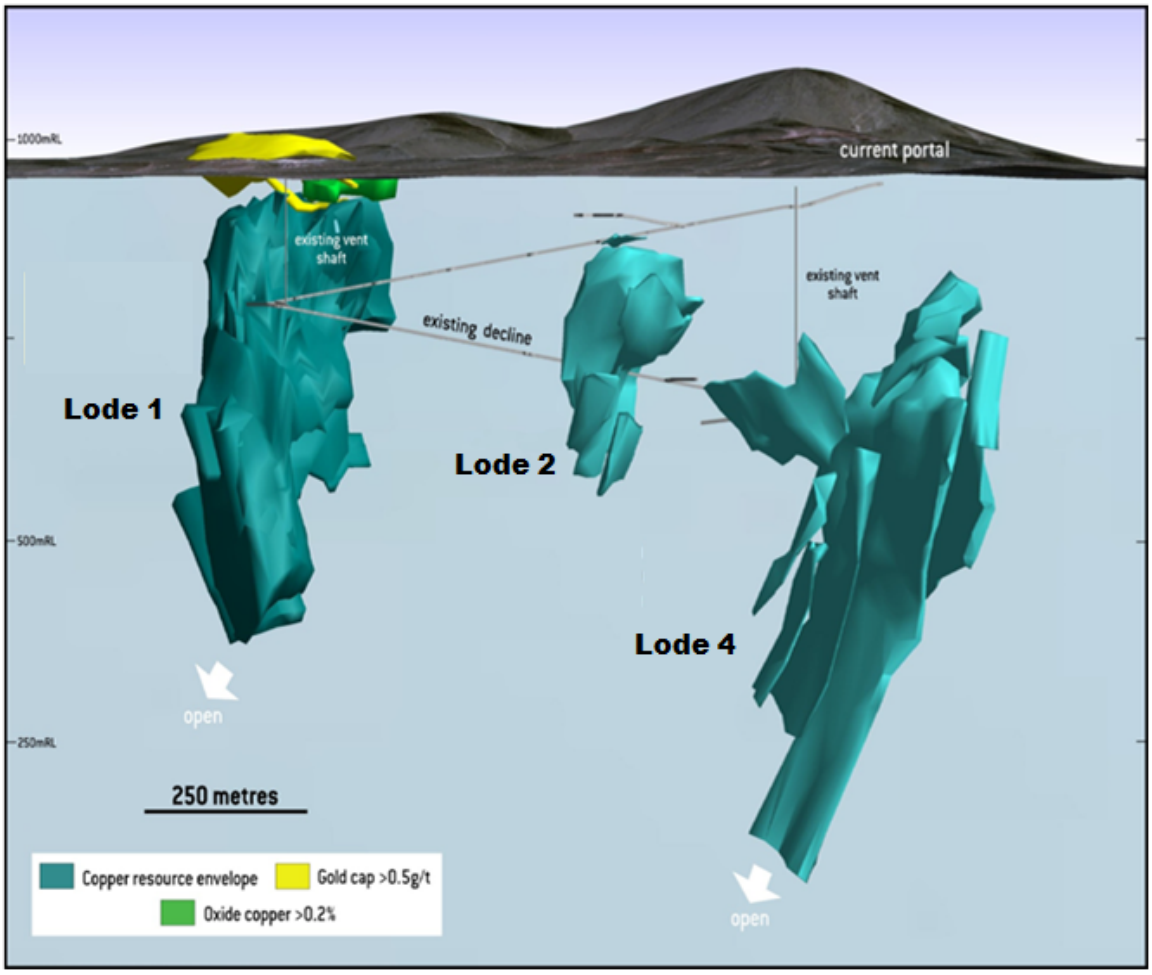
2.2 Geological Setting

Jabal Sayid is a VHMS system with the mineralisation proximal to the undersea eruption centres. It is analogous to deposits at Avoca (Ireland), and Mt Lyell (Tasmania). Four separate mineralised lodes, identified as Lodes 1, 2, 3 and 4, have been located. The lodes are confined within a north-easterly trending 200 m to 700 m wide corridor, traced over a 1.2 km length. Base and precious metal mineralisation is hosted by felsic volcanic rocks, which are in turn crosscut by hypabyssal intrusions associated with a local palaeovolcanic centre. Structural analysis suggests that these lodes are restricted to the western flank of a south-west plunging anticline.

Lodes 2 and 4 are dominated by chalcopyrite (copper-iron sulphide) rich stockwork mineralisation. Lode 1 mineralisation is predominantly a chalcopyrite stockwork overprint on a massive sulphide, predominantly pyrite, but with significant sphalerite (zinc sulphide).

The mineralisation generally dips steeply west and plunges steeply to the south, as shown in Figure 2.3. The presence of Lode 3, which is thought to lie between Lodes 1 and 2, has been postulated, but it is still essentially an exploration target with only two holes intersection the zone. A recent (2009-2010) electromagnetic geophysical (EM) survey indicated an anomaly in the same location as the area previously drilled.

Figure 2.3 Jabal Sayid Lodes 1,2 and 4



2.3 Mineral Resources and Ore Reserves

2.3.1 Jabal Sayid Mineral Resources - Lodes 2 and 4

In Lodes 2 and 4, the highest grade mineralisation occurs in extensive copper stockwork domains, which may include some massive sulphide mineralisation from later massive sulphide horizons. Citadel has completed delineation drilling for Lodes 2 and 4, followed by mineral resource estimation. The Mineral Resource Estimate for Lodes 2 and 4 was prepared as part of the DFS and reported to the Australian Securities Exchange (ASX) on 14 December 2009[6]. The estimate is presented in Table 2.1 at a 0.8% copper cut-off.

[6] Citadel Resource Group, (14 December 2009), Jabal Sayid Positive Definitive Feasibility Study, ASX Release.

Table 2.1 Lodes 2 and 4 Mineral Resource Estimate (at 0.8% Cu Cut-Off)

Lode	Category	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Contained Cu Metal (kt)
Lode 2	Measured	1.6	2.5	0.3	15	40
	Indicated	3.6	2.4	0.3	16	85
	Inferred	0.5	1.8	0.4	15	9
	Subtotal	5.6	2.4	0.3	16	134
Lode 4	Measured	13.3	2.5	0.3	9	332
	Indicated	7.5	2.4	0.2	8	179
	Inferred	4.6	1.5	0.2	7	69
	Subtotal	25.4	2.3	0.2	9	581
Lodes 2+4	Measured	14.9	2.5	0.3	10	373
	Indicated	11.0	2.4	0.3	11	264
	Inferred	5.1	1.5	0.2	8	78
	Total	**31.0**	**2.3**	**0.3**	**10**	**714**

2.3.2 Jabal Sayid Mineral Resources – Lode 1

Lode 1 is a steeply plunging massive sulphide body hosted by rhyolitic volcanics and volcaniclastics. It comprises a tabular body of pyrite with strong zinc, elevated gold values and modest copper values. The body is also overprinted by copper stockwork mineralisation.

Lode 1 is not currently included in the DFS, but successful drilling in 2008, 2009 and 2010, and updated interpretation has renewed interest in mining Lode 1. To support further economic studies on the Lode, a new geological interpretation and resource estimate is being completed and a programme of metallurgical test work is underway. The recognition of the two mineralisation styles in Lode 1 is important, as it may allow more effective partitioning of the Lode into copper-dominant and zinc-dominant domains.

Citadel reported the Lode 1 Mineral Resources in its release to the ASX of 2 February 2009. AMC has summarised the Lode 1 Mineral Resources in Table 2.2. The summary is presented by ore type and resource category, and includes an oxidised copper zone and an oxidised gold zone (Gold Cap), which overlie the primary sulphide mineralisation. AMC notes that drilling reported in 2010 has indicated the potential for high grade copper mineralisation within the current Lode 1 Mineral Resource.

The Gold Cap contains precious metal resources, with low base metal values. In the event that Lode 1 sulphide mineralisation is mined by open pit methods, both the Gold Cap and copper oxide resources would be mined during overburden removal.

Table 2.2 Lode 1 Mineral Resource by Mineralisation Type

Mineralisation Type	Resource Category	Tonnes (Mt)	Cu %	Au (g/t)	Ag (g/t)	Zn (%)	Contained Copper (kt)
Oxide Gold Cap	Inferred	1.4	0.1	1.3	15.8	0.0	1
	Total	1.4	0.1	1.3	15.8	0.0	1
Oxide Copper	Inferred	0.5	1.6	0.4	4.6	0.3	7
	Total	0.5	1.6	0.4	4.6	0.3	7
Massive Sulphide (Cu)	Indicated	4.7	1.4	0.48	30.7	1.34	65
	Inferred	6	1.1	0.7	37.3	1.3	65
	Total	10	1.2	0.6	34.4	1.3	130
Massive Sulphide (Zn)	Indicated	1.0	0.4	0.47	35.6	2.63	4
	Inferred	7	0.4	0.4	31.9	2.4	27
	Total	8	0.4	0.4	32.4	2.4	31
Total	Indicated	5.6	1.23	0.48	31.5	1.56	69
	Inferred	15	0.7	0.6	31.6	1.7	100
	Total	**20**	**0.8**	**0.6**	**31.6**	**1.6**	**169**

Gold dominant domains reported at a 0.5 g/t Au cut-off and copper dominant domains reported at a 0.2% Cu cut-off.

2.3.3 Jabal Sayid Ore Reserves – Lodes 2 and 4

Citadel reported the Lode 2 and Lode 4 Ore Reserves, which were prepared as part of the DFS, in its release to the ASX of 14 December 2009. AMC has summarised the Ore Reserves in Table 2.3.

Table 2.3 Lodes 2 and 4 Ore Reserve as at 10 December 2009

Classification	Ore (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Contained Copper (kt)
Proved	15.0	2.2	0.25	8.4	330
Probable	9.4	2.2	0.25	9.5	207
Total	**24.4**	**2.2**	**0.25**	**8.8**	**540***

* Totals do not equal the sum of the components due to rounding adjustments

The ore reserve boundary (cut-off) has been prepared by calculating a net smelter return (NSR) value, which takes into account the value of copper, gold and silver recovered from the resource. The NSR cut-off equates to an approximate grade of 1.1% copper for the large open stopes and 1.3% copper for the smaller bench stopes. In AMC's opinion, a conservative, but reasonable approach has been taken in the preparation of the ore reserve boundaries.

Dilution and recovery factors have been applied to the mineral resources contained within the planned stope outlines. The factors vary depending on the type and location of the stope. AMC believes the factors used are reasonable.

2.3.4 AMC's Opinion on Mineral Resource and Ore Reserve Estimates

In AMC's opinion, the Mineral Resource and Ore Reserve estimates prepared for Lodes 1, 2 and 4 of the Jabal Sayid project are reasonable and have been reported by Citadel in accordance with the requirements of the JORC Code.

2.4 Potential for Additional Mining Inventory

2.4.1 Possible Extensions to Lodes 2 and 4

Based on a review of the current resource estimates for Lodes 2 and 4, the current drilling data base and Citadel's exploration programme at Jabal Sayid including the recently completed EM survey, AMC is of the opinion that, with further exploration, there is potential to add to the current resource base in Lodes 2 and 4. As a result, AMC postulates that between 5 Mt and 7 Mt of material, additional to the proposed DFS mining inventory, may eventually be mined. While noting that there are some high-grade intersections at the base of Lode 4, AMC assumes that the average grade of the additional material mined will be slightly lower than the current average reserve grade.

In order to prepare a prospective upside production schedule for consideration by Grant Samuel, AMC believes it reasonable to use an estimate for the additional material of 6 Mt at grades of 2.1% Cu, 0.14 g/t Au, and 7 g/t Ag.

It is important to note that the quantity and grade of the additional material is conceptual in nature, and that there has been insufficient exploration to define a Mineral Resource or Ore Reserve; and it is uncertain if further exploration will be successful in doing so.

2.4.2 Potential Mining of Lode 1 Resources

Although Lode 1 is not included in the DFS_REV, earlier studies considered mining the upper portion of the lode using open pit methods. The perceived difficulty of processing Lode 1 mineralisation to achieve acceptable recoveries and concentrate grades is understood to have resulted in its exclusion from the DFS_REV. Citadel is planning to finalise a scoping study on an expansion of the Jabil Sayid project to include mining Lode 1 by the end of October 2010, which will include consideration of the results of 2008, 2009 and 2010 drilling programmes plus ongoing metallurgical test work.

To estimate the mining inventory that might result from mining Lode 1 by open pit methods, AMC has relied on a report provided by Citadel in early September 2010. This report presents the results of an Optimisation Update for open pit mining the copper sulphide resource in Lode 1. From eight pit shells generated (using different slope angles and financial inputs), AMC has selected a pit shell that it considers provides a reasonable estimate of the likely size of a future pit.

A potential mining inventory derived from the selected pit shell at a 0.5% Cu cut-off, is shown in Table 2.4. Citadel has advised AMC that they expect to begin the pre-strip in 2012, with first ore delivery to the mill in 2013. An ore production rate of 800 ktpa has been assumed.

Table 2.4 Possible Lode 1 Mining Inventory and Production Schedule

Year	Total Rock (Mt)	Waste (Mt)	Ore (Mt)	Cu (%)	Au (g/t)	Ag (g/t)
2012	5.1	5.1	0.00	1.09	0.08	51.9
2013	13.9	13.1	0.80	1.28	0.49	25.6
2014	6.5	5.7	0.80	1.35	0.49	29.4
2015	13.3	12.5	0.80	1.78	0.58	30.0
2016	14.0	13.2	0.80	1.94	0.41	29.4
2017	8.4	7.6	0.80	1.68	0.42	28.3
2018	4.3	3.5	0.80	2.28	0.51	29.4
2019	1.4	0.6	0.73	1.72	0.35	27.0
TOTAL	**66.9**	**61.4**	**5.53**	**1.72**	**0.47**	**28.5**

Note excludes the gold cap, oxide copper and low grade massive sulphide mineralisation.

AMC believes that it is reasonable to use this estimate when considering the contribution likely to be made by Lode 1 to the total value of the Jabil Sayid Project. Oxidised gold and oxidised copper material will be mined as overburden during excavation of this pit. AMC assumes that this material will be stockpiled for possible future processing. This is discussed further in section 3.2.

Based on AMC's current understanding of the deeper parts of Lode 1, and of the metallurgical properties of the lode, AMC believes it unreasonable at this stage to assume that mining the deeper parts of the Lode by underground methods would be economically viable.

2.5 Proposed Mining Operations – Lode 2 and 4

2.5.1 Overview of Proposed Mining Operations

The mining method for Lodes 2 and 4 selected by Citadel and described in the DFS, involves the use of large scale sub-level open stoping methods, with some thinner sections mined using bench stoping. A primary and secondary extraction sequence is proposed for the sub-level open stoping areas, using both cemented and un-cemented backfill.

The extraction sequence starts with Lode 2 and progresses to Lode 4. In general, mining starts at the top of each lode and progresses downward to a depth, in the case of Lode 4, of about 750 m below surface. Secondary stopes are planned to be extracted in a sequence starting at the lowest mining level and working up. The layout of the proposed mine workings is shown in Figure 2.4.

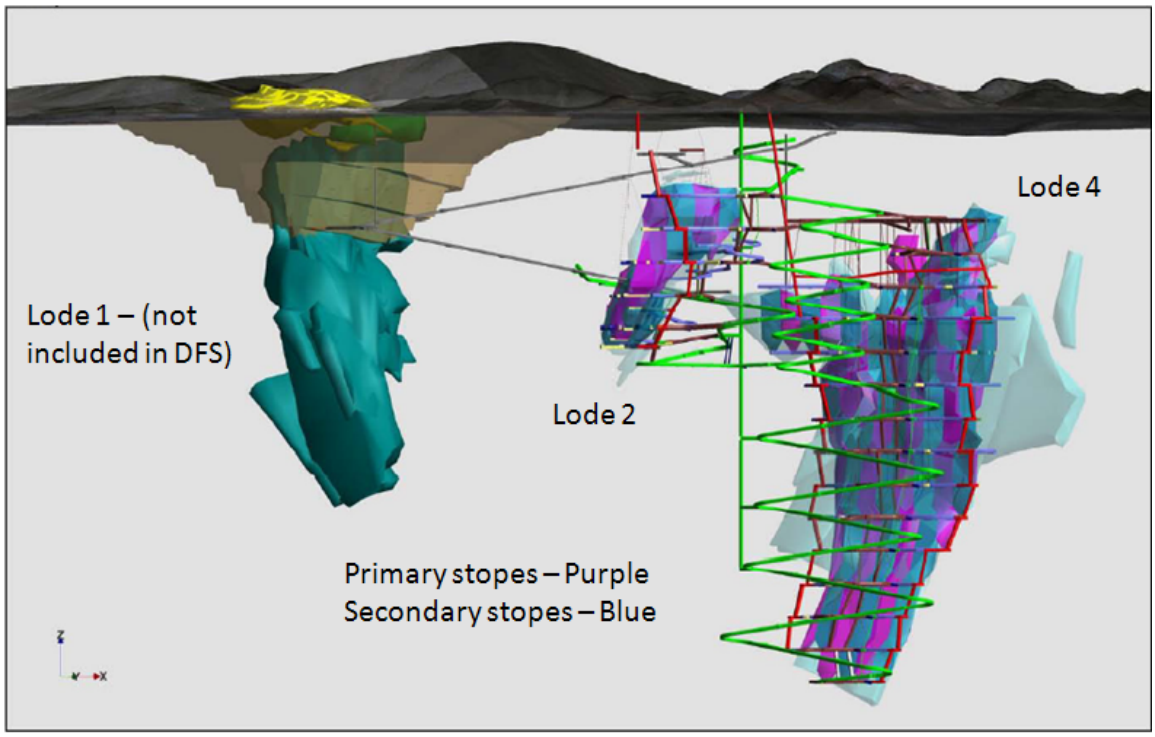
Sub-level open stopes will be nominally 30 m along strike, 30 m to 40 m across strike and 100 m high, with levels for drilling and extraction spaced at 50 m intervals. A combination of in-the-hole drilling equipment and more conventional top hammer drilling equipment is proposed to enable reasonable blast hole drilling accuracy over the relatively large sub-level intervals. Conventional charging and blasting practices are proposed.

In Lode 4, large diesel powered load-haul-dump (LHD) equipment will transfer ore from the base of each stope to a single ore pass linking the extraction level to a truck loading loop on the next level down (50 m below). Each ore pass will be fitted with a grizzly and truck loading chute. Ore loaded from the chute will be trucked to a surface stockpile by a fleet of underground road trains, each comprising two powered trailers and a 30t capacity rigid truck. Each road train is planned to have a nominal 100 t capacity. In the case of Lode 2, it is planned to load the road trains directly using LHDs.

Access to the mine will be via a portal and decline system. Apart from a short length of decline immediately below the portal, a twin decline system at a nominal gradient of 1:7 is proposed to a depth of approximately 300 m below surface. Below this a single decline is proposed.

Emergency egress from the mine workings will be via the twin decline system, and a series of ladder equipped raises.

Figure 2.4 Proposed Mine Workings



2.5.2 Mine Production Schedule

The life-of-mine (LOM) production schedule proposed in the DFS_REV schedule is summarised in Table 2.5. The schedule envisaged mine development commencing in Qtr 4, 2010, first ore production in early 2011, followed by an increase in production over a period of approximately 21 months to a nominal rate of 2.6 Mtpa. The schedule results in the build-up of a run-of-mine surface stockpile prior to mill commissioning, originally scheduled for mid 2011. As a result of delays to the project start date, Citadel now envisages mill start-up in late Qtr 1, 2012. In AMC's opinion the 21 month mine development period is reasonable.

The total tonnage mined and milled represents the planned mining inventory for the Jabal Sayid project, as envisaged in the DFS_REV. The inventory includes the published ore reserves shown in Table 2.5, plus some inferred mineral resources that Citadel believes will ultimately be converted to reserves with further investigation and study. Ore reserves represent 93% of the mining inventory. 57% of the inventory has a Proved reserve classification and 36% a Probable reserve classification.

The high proportion of reserves supporting the production schedule provides a high level of confidence that the total tonnage and grade of material included in the schedule can be achieved.

Table 2.5 DFS_REV LOM Production Schedule

Year	Ore Mined (kt)	Ore Milled (kt)	Cu (%)	Au (g/t)	Ag (g/t)
2011	134	-	-	-	-
2012	1,785	1,919	2.73	0.38	17.33
2013	2,698	2,698	2.21	0.28	9.65
2014	2,651	2,651	2.11	0.25	8.22
2015	2,661	2,661	2.72	0.27	11.27
2016	2,638	2,638	2.15	0.23	9.67
2017	2,634	2,634	2.23	0.26	9.73
2018	2,704	2,695	2.45	0.26	8.27
2019	2,930	2,938	2.40	0.26	8.02
2020	2,643	2,643	1.98	0.20	5.20
2021	2,511	2,511	1.97	0.26	9.68
2022	751	751	1.55	0.24	7.62
Total[1]	**26,740**	**26,740**	**2.27**	**0.26**	**9.42**

[1] Totals do not equal the sum of the components due to rounding adjustments.

In AMC's opinion, the nominal production rate of 2.6 Mtpa is likely to be achieved in the early years when mining can take place in both Lodes 2 and 4. As the mining depth increases, and extends into the narrower parts of Lode 4, it is likely to become increasingly difficult to maintain the scheduled production rate. The increased proportion of production derived from secondary stopes, which will generally be more problematic to extract, will also tend to constrain production.

AMC's view is that the planned production schedule can be achieved, but that there will be increasing risk of failing to achieve the scheduled production rate as the mine ages.

2.5.3 Geotechnical Considerations

A geotechnical assessment has been carried out as part of the DFS, with the objective of providing geotechnical mine design parameters for underground mining using sub-level open stoping with backfilling.

The assessment concludes that mining would occur in a strong, massive rock mass comprising strong rock materials, sparse fracturing, and only one fault affecting the edge of Lode 2. Magnitudes of stress are reported to be typical, but based on an un-validated method of measurement.

The primary-secondary sequence of stoping was evaluated, with the conclusion that the maximum stable dimensions of stopes walls, with support by an array of cable dowels, would be 30 m along strike, 80 m vertical, and 36 m across strike for Lode 2, and 40 m across strike for Lode 4. Tops and bottoms of stopes would be triangular-shaped.

In AMC's opinion the proposed method, dimensions (including the use of 100 m high stopes) and sequence of stoping is appropriate for the circumstances, although a maximum 30 m across-strike dimension of stopes in Lode 4 may be more appropriate. The proposed support of stope walls by cable dowels may be excessive; and even if required, be ineffective.

In AMC's opinion the proposed regime of ground support for mine development excavations appears to be reasonable for the circumstances.

2.5.4 Hydrogeology

No formal hydrogeological investigation has been completed as part of the DFS, but water inflows are expected to be minimal. AMC concurs with this expectation.

2.5.5 Backfill

The stope backfilling arrangements envisage the use of cemented aggregate fill (CAF) for primary stopes in Lode 2, and cemented rock fill (CRF) for primary stopes in Lode 4. It is planned to backfill secondary and tertiary stopes in both lodes with hydraulically placed sandfill.

The CAF will be mixed on surface using cement sand slurry and waste rock aggregate crushed and screened to minus 30 mm. The fill will be distributed to the top of the primary stopes in Lode 2 via 200 mm diameter boreholes drilled from surface. Sand will be sourced from cycloned tailings.

A more complex arrangement is envisaged for the preparation and placement of CRF in Lode 4. It is proposed that dry waste rock, sourced mainly from a quarry located in waste rock above Lode 1, and crushed to minus 125 mm, will be tipped into a fill pass leading to a rock fill distribution horizon above Lode 4. The distribution horizon will be equipped with a conveyor system to transfer rock fill to a series of 700 mm diameter boreholes drilled so as to deliver the rock to the top of primary stopes. Cement sand slurry will be prepared on surface and delivered by boreholes and piping to the discharge point at the top of stopes.

Hydraulically placed sandfill, prepared on surface from a coarse fraction of tailings, separated by cycloning, will be delivered as slurry to secondary and tertiary stopes by a series of boreholes and pipes. The sandfill will be fee draining, enabling a significant portion of the water used to transport the sand to be recovered from the base of filled stopes.

In AMC's opinion the proposed backfill arrangements for Lode 2 are practical, and both the operating and capital costs have been estimated with a level of accuracy appropriate for the study.

AMC does not believe that CRF, placed in the manner described in the DFS, is suitable for backfilling primary stopes in Lode 4, for the following reasons:

- The large area of backfill exposed when mining underlying and adjacent stopes will require the backfill to be mixed and placed with a high level of quality control. In most stopes this will be difficult, if not impossible to achieve with cement slurry and crushed rock delivered separately into stopes.
- An essential requirement for the success of the top-down primary stoping sequence will be tight-filling of the crowns of stopes. In AMC's opinion it will not be practical to deliver rock and slurry to the apex of stopes in a manner that will achieve this.
- The steeply dipping geometry of Lode 4 necessitates a complex system of boreholes to deliver rock from the conveyor level to the top of stopes. In AMC's opinion the arrangement will prove difficult and expensive to operate.

In AMC's opinion, alternative backfill arrangements are available that are likely to be more practical than CRF, which could be implemented at similar or only marginally greater cost than those estimated in the DFS. AMC believes it reasonable to expect that Citadel will revise the proposed backfill arrangements for Lode 4.

2.5.6 Ventilation

The proposed mine ventilation arrangements involve use of the decline system and a 5.5 m diameter shaft as the main intake airways. Air will be exhausted via two 4.5 m diameter raises each fitted with twin variable speed centrifugal fans providing design airflow of 850 m^3/s. No mine

air refrigeration is proposed. In general, the proposed ventilation circuit design is similar to that used in comparable mines in Australia, except that, at the temperatures envisaged at Jabal Sayid, refrigeration systems would be expected to form part of the design.

No historical temperature data is available at Jabal Sayid, but surface air temperatures are expected to be hotter, but less humid, than at Australian mines at similar latitudes. The geothermal gradient measured during the exploration programme indicates a low geothermal gradient.

Heat generated by the large diesel equipment fleet and by electrical equipment (including auxiliary fans) will add significantly to the underground temperatures. Mine air temperatures will also increase with increasing mine depth, due to auto compression[7].

No detailed heat load modelling has been carried out as part of the DFS to assess the impact of high underground temperatures, or the effect of mitigating actions that might be required. Despite this deficiency, AMC considers it likely that the proposed ventilation system will be adequate for the initial period of mine operations at the relatively shallow depths required, but that refrigeration may be required as the mining depth increases.

2.5.7 Truck Haulage

The choice of a truck haulage system to haul ore out of the mine at the rate of 2.6 Mtpa is a significant feature of the DFS. Combined ore and waste haulage rates of up to 3.0 Mtpa will be required to achieve the planned production and development schedules.

Most decline mines operate using a single haulage decline, and haulage rates greater than 1.5 Mtpa are uncommon. AMC is unaware of any examples of single decline mine truck haulage systems that have operated at the haulage rates envisaged in the DFS.

Citadel has designed a duel decline system for the upper part of the mine, and truck loading arrangements, passing bays, and other features favourable to the achievement of high production rates have been included in the design. No detailed simulation of the haulage system, including the interaction between trucks and other vehicles, has been carried out as part of the DFS.

Citadel has held discussions with, and obtained quotes from, an experienced mining contractor and from an operator of underground road trains, to support the choice and design of the ore haulage system.

Despite the advantageous features of the design, AMC believes there is considerable risk of not achieving the planned production rate when mining takes place from levels below the dual decline system. AMC also believes that the risk can be reduced by extending the dual section of decline to greater depth; and possibly by providing a second portal access.

2.6 Processing and Concentrate Handling

2.6.1 Metallurgical Testwork – Lodes 2 and 4

Metallurgical investigations have been conducted in 1985 by BRGM, in 2007 as part of a pre-feasibility study, and in 2009 by Ammtec as part of the DFS. The sampling and testwork programme for the DFS was designed to augment the earlier studies. A master composite was prepared from drill core intersections drawn from two holes intersecting Lode 4. In addition, a total of 20 smaller variability composites were made up to represent the known ore types, 17 from Lode 4 and three from Lode 2.

[7] Compression of air due to the increasing weight of the overlying column of air as mine depth increases.

The master composite, when assayed, had an actual head grade of 1.73% Cu, compared to the estimated average grade of the mining inventory of 2.25% Cu. The 20 variability samples all had different grades, ranging from 0.79% Cu to 7.16% Cu, with an arithmetic average grade of 2.09% Cu.

Grinding testwork was carried out on the master composite, as well as the variability composites, with crushing characteristics being determined on lump size core samples from selected drill-hole intercepts. With regard to the flotation and dewatering characteristics, the bulk of the assessment was performed on the master composite, with single confirmatory flotation tests being carried out on the variability composites.

Detailed mineralogical examination of feed and flotation products was carried out as part of the metallurgical investigations.

AMC has reviewed the metallurgical testwork results and makes the following observations:

- The majority of the metallurgical testwork was carried out on a master composite, designed to replicate the ore that would be received over the first five years of operation. While the use of a master composite may indicate an average outcome, it also masks any variability in the process response. A master composite essentially represents only one sample from the testwork perspective, and hence only one data point in the information base.
- The variability composites were tested with a single rougher-cleaner flotation test on each sample, using the process conditions that had been optimised for the master composite. Consequently, the process conditions applied in this phase of the metallurgical evaluation had not been specifically optimised for the ore samples tested. Hence, the results generated by the variability samples do not necessarily represent the optimised outcome that could potentially be obtained.
- No repeat or duplicate testwork was carried out to assess the relative accuracy of the results, and no confirmatory tests were carried out by third parties to confirm the reproducibility of the process.
- Models used to estimate copper and gold recovery levels are based on nominal relationships between the ore copper grade, and the relevant metal recovery for concentrate grade scenarios of 25% Cu, and 27% Cu. The derivation of these relationships is not clear to AMC, but it is noted that the relationships have exceptionally low correlation coefficients, with R^2 values reported in a range of 0.20 to 0.32. AMC's assessment suggests that the sulphur to copper ratio (S:Cu) of the ore could have a more significant influence on flotation response, with high S:Cu ratio ores tending to produce lower grade concentrates, the low grades being attributed to increased pyrite content. The sulphur content of the ore also appears to influence the gold and silver recoveries.

In AMC's opinion, the testwork carried out is less comprehensive than expected for a definitive feasibility study. However, the testwork clearly indicates that clean commercial grade copper concentrates can be produced from Lode 2 and Lode 4 ores at high copper recovery levels (+95%). There is also potential upside in the treatment response, as process conditions have not yet been optimised for all ore types.

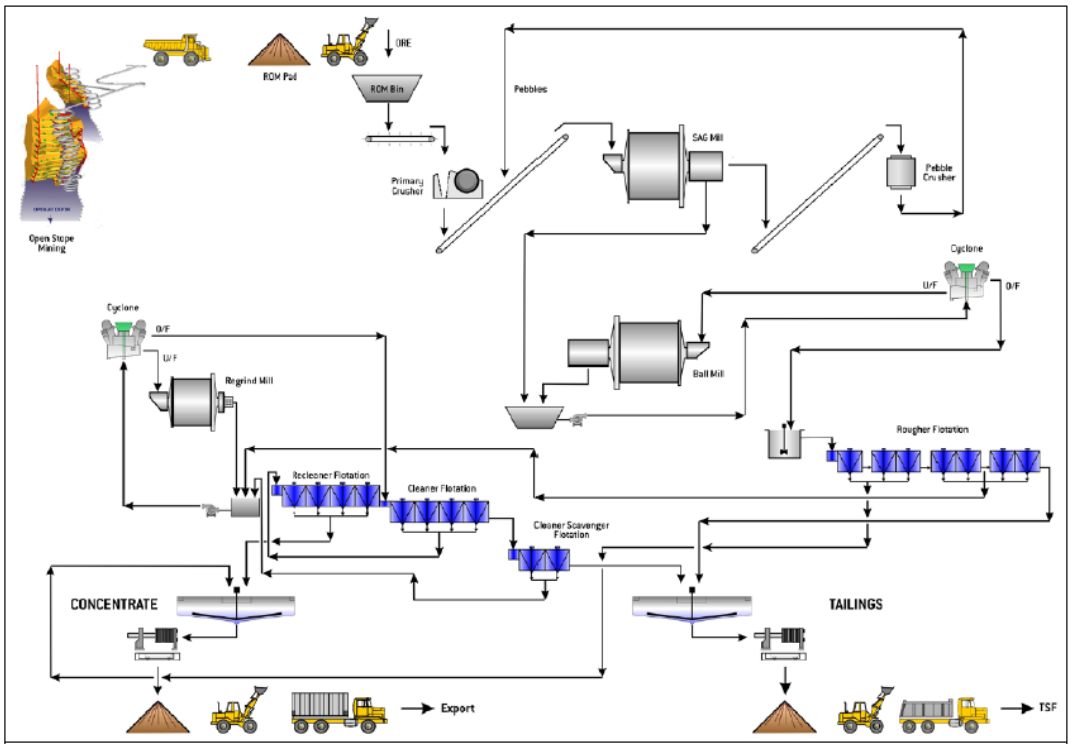
2.6.2 Process Plant Design

The concentrator is sized to process ore at a rate of 3 Mtpa using a conventional crushing, milling and flotation circuit. The proposed flow diagram is shown in Figure 2.5. The ores are moderate to very hard and tend to have a slabby breakage when mined. The plant design includes the following processes:

- Primary crushing of ore.
- Wet grinding of ore in a semi-autogenous (SAG) mill and pebble crusher.

- Milling to a P80 of 150 µm in a ball mill.
- Sulphide flotation, with regrinding of the bulk rougher concentrate to provide a cleaner flotation feed with a P80 of 38 µm.
- Dewatering of the sulphide flotation concentrate, using a thickener followed by pressure filtration of the thickened concentrate to produce a concentrate moisture level suitable for shipment.
- Classification of the flotation rougher tailings to produce a coarse fraction, as feed to a sand fill plant and a fines fraction for separate disposal.
- Dewatering of the fine flotation tailings component, using a thickener, followed by filtration using three horizontal filter presses, to generate a dewatered tailing product with a target moisture of 15% water, suitable for 'dry' stacking.
- A sand fill plant, to produce a coarse sand fraction suitable for hydraulic backfill.

Figure 2.5 Processing Flow Diagram



AMC has not carried out a detailed assessment of the specific equipment selection, but based on the use of a conventional process flowsheet, contemporary process equipment and vendor recommendations, AMC considers that the proposed plant will be suitable for the treatment of the Jabal Sayid Lode 2 and Lode 4 ores at the proposed 3 Mtpa treatment rate.

2.6.3 Testwork on Lode 1 Samples

Samples from two different Lode 1 drill-holes were tested during the 2007 pre-feasibility. A more recent diamond drill core sample (2009 metallurgical sample) has been tested, and additional test work is being undertaken as part of the current scoping study for mining Lode 1.

The 2007 down-hole samples were selected and composited to provide metallurgical samples with a range of Cu:Zn ratios. The majority of the composites had zinc values much higher than copper values. The overall assay from intervals selected from one drill hole was 1.57% Cu and 2.20% Zn, while the overall assay from the selected intervals from the second hole was 2.03%

Cu and 1.55% Zn. The average Cu:Zn ratio for the second hole was biased by one interval with a grade of 4.49% Cu and 0.91% Zn. At the lower copper assays, and with copper to zinc ratios in the order of 1:1, it was difficult to achieve good copper-zinc separation because of the fine mineralogical interlocking of the chalcopyrite and sphalerite particles. Because of the fine mineral locking, it also proved difficult to produce a copper concentrate with acceptable copper grades, without very significant loss of copper recovery.

The 2009 metallurgical sample assayed 4.03% Cu and 1.35% Zn, and testwork focused on producing a copper concentrate grade/recovery relationship that would produce the best financial return. The results indicate the possibility of producing a concentrate with an assay of around 20% Cu and less than 1% Zn, with copper recoveries in the order of 85%. This flotation response will likely have been influenced by the high copper grade of the ore, as well as the copper content of the sample being three times that of the zinc. In AMC's opinion, the exceptionally high copper grade of the 2009 metallurgical sample at 4.03% Cu will have facilitated the generation of a moderate grade copper concentrate at a reasonable copper recovery. The lower copper grade (1.7% Cu and 1.3% Zn) of the potential Lode 1 open pit mining inventory, and the higher proportion of zinc relative to copper, will likely result in lower copper recovery from this material for a similar concentrate grade.

2.6.4 Processing Options for Lode 1

Further work is required to establish the most suitable processing strategy for Lode 1 material. A number of options exist including:

- Producing separate low-grade copper and zinc concentrates.
- Producing a bulk copper/zinc concentrate.
- Selectively mining and processing the higher copper grade portions of the deposit to produce a relatively low-grade copper concentrate at moderate copper recovery levels.

Citadel is currently considering selectively mining Lode 1, and batch processing the material through the Jabal Sayid concentrator to produce a relatively low-grade copper concentrate. The concentrate would then be sold separately, or blended with concentrate from Lodes 2 and 4, if this increased the value of the combined products.

AMC considers Citadel's current approach has merit, but the results of metallurgical studies carried out to date indicate that significantly more work will be required to determine the most practical and efficient method of mining and processing Lode 1 material.

If the concentrator is to be used to process material from Lode 1, in the manner currently envisaged, additions and modifications to the plant will be required. AMC has assumed that the same primary circuit (crushing, grinding and rougher flotation) would be utilised, but that a finer regrind would be required for the copper cleaning circuit. Additional regrind capacity would be needed to attain the finer grind, and potentially additional cleaner flotation capacity, to accommodate flotation of the finer particle sizing at a reduced slurry density.

Concentrate thickening and filtration capacity would potentially require upgrading because of the need to process the finer particle sizing. While additional filtration capacity might not be installed, additional storage tanks for the filter feed would be required to accommodate the slower filtration rate, given the fine particle sizing of the Lode 1 concentrate. The run-of-mine pad would have to be expanded to accommodate the separate stockpiling of the different ore types. AMC estimates the additional capital expenditure required for these changes, at between $10M and $15M, depending on the final process route and equipment required.

Further test work has been undertaken in 2010 as part of the scoping study for the Lode 1 open pit. Although not yet completed, this test work has produced much better recoveries based on a flotation feed sizing of P_{80} = 75µ and regrinding to P_{80} = 25µ with two or three stages of cleaner

flotation. Based on the work to date, the following indicative recoveries into a copper concentrate (at 22% Cu) for the copper rich Lode 1 pit ore are envisaged.

- Cu recovery – 83%
- Au recovery – 35%
- Ag recovery – 45%

AMC considers these recoveries estimates to be reasonable.

2.6.5 Forecast Mineral Processing Plant Performance

Table 2.6, shows a summary, from the DFS_REV, of the forecast performance of the processing plant when processing the planned mining inventory from Lodes 2 and 4. AMC is of the opinion that the throughput rate, the recovery of copper, gold, and silver from the plant feed, and the concentrate grades, form a reasonable basis for valuing the project.

Table 2.6 Forecast Processing Plant Performance DFS_REV Mill Production

	Units	DFS_REV LOM Total
Ore milled	kt	26,740
Copper grade	%	2.27
Gold grade	g/t	0.26
Silver grade	g/t	9.42
Recovery		
Copper	%	96.0
Gold	%	63.4
Silver	%	70.8
Concentrate produced (dry)	kt	2,328
Copper grade	%	25.0
Gold grade	g/t	1.92
Silver grade	g/t	76.6
Contained metal		
Copper	kt	582.0
Gold	oz	143.4
Silver	oz	5,733

2.6.6 Concentrate Transport and Ship Loading.

The DFS_REV envisages that up to 280,000 tpa of concentrate will be trucked approximately 350 km by sealed road from the mine site to the storage and ship loading facility at the port of Yanbu. Storage at the port will be in an existing shed with a 24,000 t capacity. The shed will be leased from the Saudi Port Authority. It is envisaged that ship loading will occur every 14 to16 days, typically in 11,000 t shipments. The concentrate storage and ship loading activities will be managed under a contract with a local stevedoring company.

Given the climatic conditions on site, filtered concentrate will be air dried to ensure that transportable moisture limits are attained before being transported from site. At present, it is not proposed to install a sampling system at the ship loader but rather to rely on discharge sampling for sales and production reconciliation purposes. A sampling system at the ship loader would provide a means of cross-checking against the discharge samples, and confirmation of concentrate moisture prior to sailing.

AMC considers that the concentrate handling and transportation system is practical and appropriate to the project scale and location.

2.6.7 Gold Heap Leach

Citadel commissioned a concept study[8] in 2009 on treatment of the Gold Cap mineralisation. The study envisaged establishing a heap leach facility to produce a gold/silver doré using the Merrill Crowe process. The study envisaged treating 1.3 Mt of material at a grade of approximately 1.3 g/t to produce approximately 50,000 oz of gold over a two year period.

Capital cost for the heap leach facility were estimated at $13M and processing costs, including mining, were estimated at $11.89/t processed. Recoveries for gold and silver were estimated at 75% and 60% respectively. The accuracy of the estimates was reported at ±20%. The study does not appear to have been based on detailed heap leach test work, and assumes generally favourable ore and process conditions.

Citadel envisaged sizing the heap leach facility to enable feed from other deposits, should this be available.

A portion of the copper present in the Gold Cap resource (0.1%Cu) will likely be cyanide soluble, and will build-up in the leach liquor. Removal of the copper build-up is likely to require installation of a soluble copper clarification circuit. Alternatively, processing could be restricted to only a low copper grade portion of the Gold Cap mineralisation.

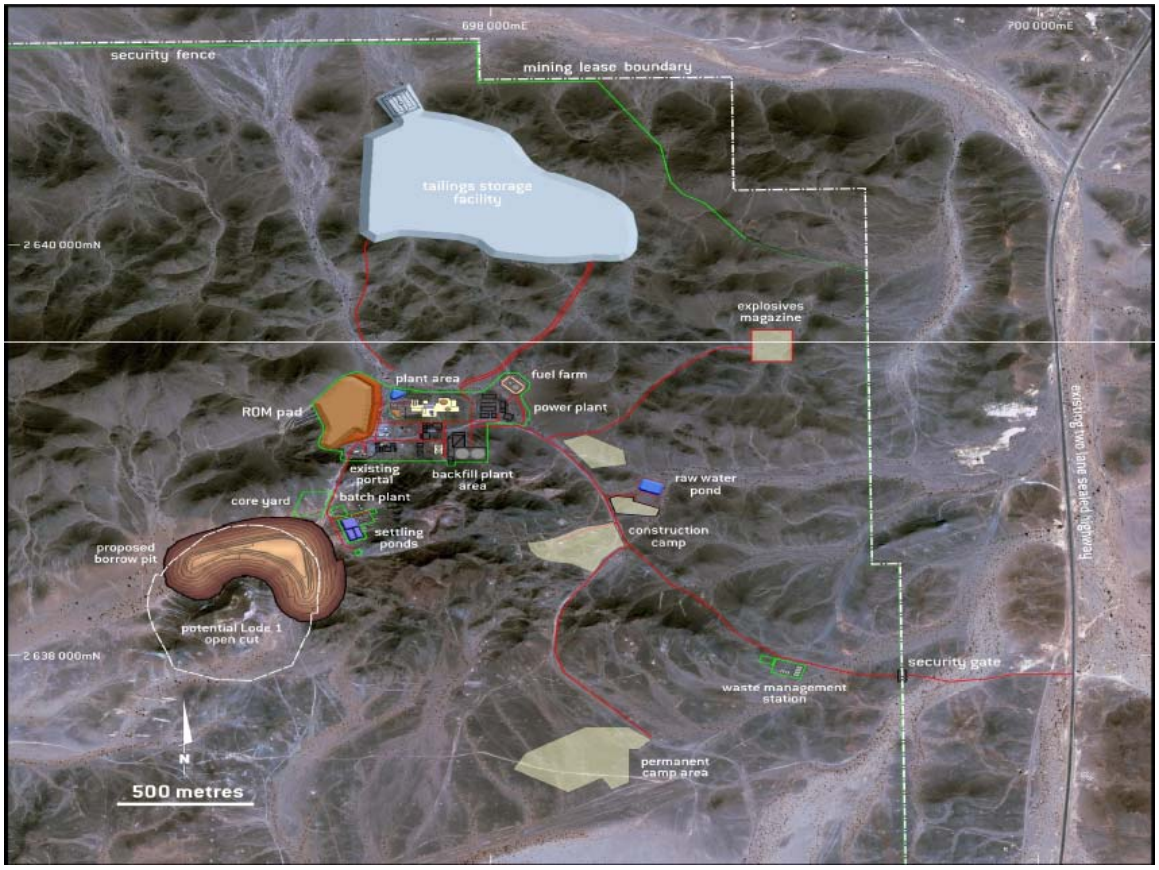
2.7 Infrastructure

The proposed site layout is shown in Figure 2.6. Facilities required to be constructed to support the mine operation include:

- A diesel fuelled power station with an installed capacity of 33 MW to meet a power demand estimated at between 21 MW to 24 MW.
- An on-site process water storage facility with a capacity of 10,000 m^3.
- On-site accommodation facilities for 590 persons with additional construction capacity as required.
- A short section of sealed access road, to link the site with the main highway.
- Workshops, storage, security and other facilities.

[8] Metifex Pty Ltd, March 2009, Jabal Sayid Gold Project Proposed Heap Leach Facility +/- 20% Capital and Operating Cost Estimate

Figure 2.6 Jabal Sayid Project Site Layout



Significant features differentiating the Jabal Sayid project from other similar projects are the low price of diesel and the high cost of water.

A Memorandum of Understanding (MOU) has been executed with the National Water Company of Saudi Arabia, for the supply of water for the project in excess of the estimated annual requirement of the project (1 Mm^3). The cost of water delivered to site by truck from the city of Medinah has been estimated at \$7.21/m^3. Citadel is considering construction of a pipeline from Madinah to the project. The pipeline has the potential to significantly reduce the delivery cost.

Diesel requirements are estimated at 55,000 m^3 per annum at a delivered cost of \$69.30/m^3, based on a quotation from a local fuel distributor, currently supplying the nearby Ma'aden Al Mahd mine.

AMC is of the opinion that the infrastructure facilities proposed in the DFS for the project are appropriate.

2.8 Management and Workforce

Citadel proposes basing the management team at Jabal Sayid, with some support functions located in a small office in Jeddah; and in a small office in Yanbu to manage concentrate shipments.

During normal operations a total workforce of 590 people is envisaged, of which 290 will be contractors. During the initial phase a workforce comprising approximately 50% Saudi nationals is planned, with the balance comprising experienced expatriate staff. Citadel plans to maximise the number of Saudi nationals employed at start-up, and to increase this progressively over the

project life. It is envisaged that expatriate personnel will originate from India, the Philippines, Pakistan, South Africa, Australia and Europe.

Twelve-hour shift rosters are planned for the mine and concentrator (an exemption from the Saudi Labour Laws will be required for this). A mixture of eight-hour and twelve-hour shifts is envisaged for personnel in non-production roles. Various commute rosters are envisaged for Saudi nationals and expatriate staff.

In AMC's opinion Citadel has considered the structure, organisation and human resource aspects of the project thoroughly, and to a level of detail expected in a DFS. AMC considers the proposed arrangements to be appropriate and practical.

2.9 Project Implementation

Citadel has appointed a Project Director responsible for the development of the Jabal Sayid project. The Project Director reports to the Bariq Board and the Citadel Chief Executive Officer. The Project Director will be supported by the in-Kingdom General Manager of Bariq.

A detailed implementation plan has been developed for the project involving the appointment of an engineering, procurement and construction management (EPCM) contractor for the majority of the surface facilities. All underground development and ongoing operations are planned to be awarded to an experienced international mining contractor, managed by Bariq. Contracts with other miscellaneous service providers are planned to be established, and managed either directly by Bariq or by the EPCM contractor.

A twenty-two month construction schedule is envisaged for the plant and surface infrastructure, from grant of the Mining License, to completion of the mill throughput ramp-up period.

AMC has not reviewed the implementation plan and schedule in detail, but consider it to have been prepared by an experienced engineering contractor to a level of detail consistent with that generally expected of a DFS. AMC is of the opinion that the implementation plan and schedule form a reasonable basis for valuing the project.

2.10 Environment

An environmental and social impact assessment (ESIA) process has been undertaken by a Saudi Arabian company, Arabian Environmental Science Ltd Company (Arensco), in conjunction with Wardell Armstrong of the UK.

The ESIA process commenced in late 2006 and has become more detailed as the project developed, culminating in the final assessment. The process has followed the International Finance Corporation's Performance Standards (International Finance Corporation, 2006), and the associated guidance notes (International Finance Corporation, 2007). The process has included consideration of the range of environmental and social impacts normally considered during the development and approval of a mining project, including public consultation, which is not a normal component of the ESIA process within Saudi Arabia.

The outcome of the process is an objective document, which can be used by various parties during the permitting process, principally by the permitting authority (the Presidency of Meteorology and Environment (PME)). The ESIA process also allows for integration of environmental and social issues into the design of the project, its proposed method of operation, its decommissioning and after care.

A feature of the project is the high sulphur content of the tailings. The project design envisages filtering and dry stacking tailings on an impervious high-density polyethylene base. The design has been prepared by consultants experienced in the design of tailings impoundments and includes construction of monitoring bores, surface drainage diversion, water collection for reuse in the plant and dust reduction measures. The proposed decommissioning arrangements involve

placing a cover of 250 mm fill over the top of the tailings, shaped to divert rainfall to the surrounding wadis. Closure costs have been estimated at $6.5M.

AMC has not carried out a detailed review of the environmental and social issues, but observes that the process followed by Citadel appears to be consistent with legislative requirements in Saudi Arabia; and that Citadel's plans for developing and operating the project are consistent with internationally accepted standards.

2.11 Capital and Operating Costs

2.11.1 Jabal Sayid Project Capital

The Jabal Sayid capital cost estimate has been prepared by SNC-Lavalin and other consultants and recently updated by Citadel in the DFS_REV. A summary of the project capital costs, excluding sustaining costs, is shown in Table 2.7.

Table 2.7 DFS_REV Estimate Capital Costs

Item	$M
Mining	67.8
EPCM	187.7
Owners Cost	49.9
Closure (incl Salvage)	0.8
Total project capital cost	**306.2**

The original DFS estimate was prepared to conform to the requirements of an SNC-Lavalin Class 3 Estimate. This class of estimate is generally used for development of a detailed project plan and preparation of project budget. The estimate accuracy was reported by SNC-Lavalin to be approximately +15% / -6%.

Provisions have been made in the estimate for:

- Schedule extension costs, aligning with a one month predicted extension to the base schedule, and
- Escalation, based on a nominal 2.5% escalation of costs from the base date (30 September 2009) through to completion of the project.

A total contingency of $32.7M has been developed by applying factors of between 10% and 11.5% to various components of the estimate plus an allowance for schedule extension of $1.0M and for owner's costs of $1.4M. This contingency is included in the EPCM ($24M) and the Owners Cost ($8.7M).

In AMC's opinion the cost estimate has been prepared generally to a level of detail and accuracy consistent with the nature of a DFS.

2.11.2 Sustaining Capital

The sustaining capital estimates in the DFS_REV is shown in Table 2.8.

Table 2.8 DFS_REV Sustaining Capital Estimate

Item	$M
Mine	89.7
Mill	38.0
Total Sustaining Capital	**127.7**

AMC believes that the DFS estimate is likely to understate the sustaining capital required for the project because of the likely requirement to extend the twin decline system to a greater depth than is currently envisaged.

2.11.3 DFS_REV Operating Cost Estimate

The DFS_REV operating cost estimate is shown in Table 2.9.

Table 2.9 DFS_REV Operating Costs Estimate

Operating Cost Centre	$M	$/t of ore
Mining	628	23.50
Processing	284	10.61
Administration	135	5.05
Logistics (excl concentrate shipping)	50	1.87
Total Site Costs	**1,097**	**41.03**

AMC believes that the mine operating cost estimate is likely to understate the life-of-mine operating cost because of AMC's expectation that the proposed backfill system will be revised and that marginally higher cost may result from higher water usage.

After making adjustments for the matters listed above, AMC believes that the project capital, sustaining capital, and the operating cost estimates prepared for the DFS_REV provide a reasonable basis for valuing the project.

3 AMC MODELLING SCENARIOS

3.1 Jabal Sayid Project Modelling Scenarios

AMC has prepared two scenarios (Case 1 and Case 2) for modelling production, capital cost, and operating cost projections for the Jabal Sayid Project. Spreadsheets detailing the cases have been provided to Grant Samuel for their use. AMC believes that both Case 1 and Case 2 scenarios are based on reasonable grounds. The key aspects of AMC's modelling scenarios are as follows. Estimates of future production and costs have been projected from 12 September 2010.

Case 1

Case 1 is based on the Lode 2 and Lode 4 mining inventory reported in the DFS_REV. The same mining and ore processing rates envisaged in the DFS_REV have been used, as have the concentrate grades and metal recoveries.

The following adjustments have been made to the DFS_REV capital and operating cost estimate where AMC believes it necessary to provide a sound basis for valuation:

1. A small adjustment has been made for the cost of additional water that may be required as a result of a review of the backfilling method.
2. An amount of $5.8M has been added to sustaining capital to provide for an extension of the twin decline arrangement for a further 200 vertical metres to maintain the scheduled production rate using truck haulage.

No other changes have been made to the operating cost estimates in the DFS_REV.

Case 2

Case 2 is based on Case 1, with the addition of 6.0 Mt of material grading 2.1% Cu that AMC believes could potentially be recovered from Lodes 2 and 4 by extending the depth of both lodes by 200 m vertically, and in some cases the lateral extent. The vertical extension is essentially an exploration target, but is supported by deep drilling in both lodes, so is seen as reasonable by AMC. The possible lateral extensions are based on the earlier resource estimates, which were not as tightly constrained as the current estimates.

Case 2, assumes that a portion of the sulphide resource in Lode 1 will be mined by open pit methods, producing a mining inventory of approximately 5.53 Mt grading 1.72% Cu. The pit would have a waste to ore strip ratio of approximately 12:1 (t:t). AMC has assumed that the Gold Cap mineralisation, removed during waste striping, would be stockpiled and processed separately if deemed economic.

Mill throughput and process recovery rates for Lode 2 and Lode 4 material are the same as those adopted for Case 1. The annualised milling rate has been increased to 3.5 Mt when batch treating of Lodes 1, 2 and 4 material. The process recovery rates indicated in Section 2.6.4 have been assumed for Lode 1 material.

For the most part, the same cost assumptions have been made for Case 2 as for Case 1. The additional cost of mining Lode 2 and Lode 4, has been based on an estimate of the average cost of mining the Case 1 mining inventory. Milling, administration, and logistics costs have been estimated using the fixed and variable costs derived from Case 1.

The cost of open pit mining, estimated to average $1.75/t of total rock over the life of the pit, has been based on AMC's experience of similar open pit operations. This results in an average cost of $22.93/t of ore (at an overall stripping ratio of 12.1), which is similar to the cost of ore from underground mining.

$12.5M has been included in the capital estimate to modify the plant to process Lode 1 material. Nominal additional sustaining capital has also been included to cover the extended life of the operation. The cost of mine closure has been increased by $1.5M to cover rehabilitation and closure costs for the open pit.

A summary of the key production inputs to Case 2 is shown in Table 3.1.

Table 3.1 Summary of Case 2 Inputs

	Units	Lodes 2 and 4	Lode 1	Blended
Ore mined/milled	kt	32,740	5,530	
Copper grade	%	2.24	1.72	
Gold grade	g/t	0.24	0.47	
Silver grade	g/t	8.98	16.42	
Recovery				
Copper	%	95.4	83.0	
Gold	%	62.3	35.0	
Silver	%	69.4	45.0	
Concentrate produced (dry)	kt	2,793	359	3,152
Copper grade	%	25.0	22.0	24.7
Gold grade	g/t	1.75	2.51	1.84
Silver grade	g/t	73.0	197.2	87.2

Cost estimates for Case 1 and Case 2 are summarised in Table 3.2. Unit costs are summarised in Table 3.3, and capital costs in Table 3.4.

Table 3.2 Summary Comparison of Total Operating Costs – DFS_REV vs AMC Cases

Cash Operating Costs	DFS_REV Values $M	AMC Case 1 $M	AMC Case 2 $M
Mining	628	628	896
Processing	284	284	378
Administration	135	135	155
Logistics (excl concentrate shipping)	50	50	68
Total Site Costs	**1,097**	**1,097**	**1,497**

Table 3.3 Summary Comparison of Unit Operating Costs – DFS_REV vs AMC Cases

Cash Operating Costs	DFS_REV Values $/t Milled	AMC Case 1 $/t Milled	AMC Case 2 $/t Milled
Mining	23.50	23.50	23.42
Processing	10.61	10.61	9.87
Administration	5.05	5.05	4.05
Logistics (excl concentrate shipping)	1.87	1.87	1.77
Total Site Costs	**41.03**	**41.03**	**39.11**

Table 3.4 Summary Comparison of Capital Costs – DFS_REV vs AMC Cases

Capital Expenditure	DFS_REV Values $M	AMC Case 1 $M	AMC Case 2 $M
Mining	67.8	67.8	67.8
EPCM	187.7	187.7	200.2
Owners Costs	49.9	49.9	49.9
Mining Sustaining	89.7	95.5	100.0
Milling Sustaining	38.0	38.0	41.6
Closure	6.8	6.8	8.3
Salvage	(6.0)	(6.0)	(6.0)
Total Capital Cost	**433.8**	**439.6**	**461.7**

3.2 Gold Cap Value Estimate

To value the Gold Cap mineralisation, AMC has estimated the portion of the resource with a sufficiently low cyanide soluble copper grade to be suitable for heap leaching. AMC has then estimated the capital and operating cost required to produce a gold/silver doré. AMC's estimates have been based on the findings of the 2009 study commissioned by Citadel, but with a number of adjustments where AMC believes these to be necessary to form a reasonable basis for valuation. The basis of AMC's estimate is as follows:

- A total heap leach inventory of 1.3 Mt, at grades of 1.3 g/t gold and 15.8 g/t silver.
- A capital cost estimate for the heap leach facility of $16M, taking into account the likely need to include a soluble copper clarification plant in the circuit.
- Gold and silver recovery estimates of 70% and 60% respectively.
- Closure and rehabilitation costs net of salvage value of $0.5M.
- An operating cost (excluding mining) of $13.00/t, based on AMC's opinion that cyanide consumption will be significantly higher than assumed in the 2009 study.
- A mining cost of $3.00/t.

If an open pit were mined on Lode 1 to recover the sulphide mineralisation (as envisaged in Case 2), the Gold Cap mineralisation would be mined as part of the waste stripping for the sulphide pit, and no additional mining cost would be incurred.

Using the estimates above, AMC estimates that 38 koz of gold and 396 koz of silver in doré can be produced at a total undiscounted cost of approximately $37M (including mining costs), and $33.5M, if mining costs are excluded.

4 VALUATION OF EXPLORATION POTENTIAL

4.1 Introduction

This section reviews and values the exploration potential of the Jabal Sayid Exploration Licence area not taken into account in AMC's modelling scenarios. AMC's approach in valuing exploration properties is to consider as many methods as are relevant to the property, and to choose from the indicated values a range which it considers appropriate. AMC's preferred value is generally the average of the range of values. Limited use, if any, is made of share market indicators given the volatility of markets for speculative exploration. The values are accordingly Technical Values as defined by the VALMIN Code.

AMC has considered the following methods commonly used in Australia to value exploration projects:

- The Past Expenditure Method, which applies a Prospectivity Enhancement Multiplier (PEM) to effective past expenditure.
- The Actual Transaction Method, which considers the value of recent transaction involving the project under review.
- The Comparable Transaction Method, which considers recent comparable transactions for projects considered to have similarities with the project under review. Many of these transactions are of a joint venture nature, which provide a deemed expenditure to the interest of the vendor at the time of the transaction, that interest normally being 100% of the project. The deemed expenditure is discounted for the time involved in completing the earn-in requirement, and for the probability of that earn-in being completed to obtain a value of the project at the time of the transaction.
- Yardstick Value Method, which applies a value per unit of contained metal or product, derived from comparable transactions, to the mineral resources or mineralisation potential of the project under review, where this can be reasonably quantified.

  Yardstick values, in the form of values per unit area of tenement, can also be used in situations where the mineralisation potential of the project under review cannot be reasonably quantified. The unit value is generally derived from comparative transactions, and usually decreases with an increase in the size of the tenement package.
- Expected Value Method, which uses cash flow methods to estimate the present value of the project under review. The method is used where a target mining inventory can be quantified and its potential value estimated. The present value is discounted with a market risk factor or by applying a probability factor for successful delineation of the target. Exploration costs are taken into account.

4.2 Valuation of Lode 1 Gold Cap

Citadel has reported an Inferred Mineral Resource (Table 2.2) for the Gold Cap at Lode 1. A basis for estimating a value for the Gold Cap has been included in section 3.2. AMC has not considered the Gold Cap as part of the exploration valuation.

4.3 Valuation of Lode 1 Copper Oxide

AMC has not included the copper oxide Inferred Mineral Resource reported by Citadel (Table 2.2) in either of the modelling scenarios as the economics of mining and treating this small resource have not been established.

If the upper portion of the Lode 1 primary mineralisation is mined, as envisaged in Case 2, the overlying oxide copper will be removed, and most likely stockpiled for possible later treatment. The oxide copper could potentially be processed with a heap leach, using sulphuric acid, and either a small SX-EW plant, an EMEW® cell or by copper cementation using scrap iron. Typical

heap leach recovery for the copper would be 70%. There would nominally be no gold or silver recovery, and probably little zinc recovery.

In AMC's opinion, such an operation would likely have a minimal, if any, present value, given it would be based on a relatively small resource requiring a relatively expensive plant. There is also likely to be a considerable delay in developing such a project. On this basis, AMC concludes that it is unreasonable to assign a nominal value is to the Lode 1 copper oxide resource.

4.4 Valuation of Extensions to Lodes 1, 2 and 4

In addition to the exploration potential included by AMC as part of Case 2, which relies, in part, on potential vertical extensions (exploration targets) of Lodes 2 and 4, AMC considers it possible that further potential exists for the discovery of extensions to Lodes 1, 2 and 4. AMC has assumed further exploration potential of 2 to 3 Mt, grading 1.5% to 2.5% Cu, 0.24 to 0.34 g/t Au, 11 to 15 ppm Ag, and 0.55 to 0.65% Zn. AMC notes that the potential quantity and grade of this material is conceptual in nature, that there has been insufficient exploration to define a mineral resource (or ore reserve), and that it is uncertain if further exploration will result in the determination of additional mineral resources or reserves. The exploration potential is supported by deeper drilling in both Lodes 2 and 4 and is based on reasonable projections in Lode 1, so is seen as being reasonable by AMC. AMC also notes that this potential appears to be supported by the results of interpretation of the recent ground EM survey.

The mean of the range of these possible extensions is equivalent to a further one year's production, after completion of Case 2. AMC has estimated an incremental value for the mean of this range, using a copper price of $2.50 and a 10% discount rate, of $60M. AMC then assessed the probabilities of exploration success, of then converting discoveries to mineral resources, and then of conversion to ore reserves, and concluded these ranged from a success probability factor of 0.03 to 0.36, which results in a project value between $2M and $20M.

4.5 Valuation of Other Exploration Targets (Including Lode 3)

Expenditure reported by Citadel to date on the Jabal Sayid Exploration Licence area (95 km^2) is $4.1M. Expenditure commitments on the tenement are SAR344,375[9] in 2011. The total expenditure commitment over the five year term of the Licence is SAR1,140,000.

Citadel has completed grid mapping, regional prospecting and has collected 145 geochemical samples from the project site. In addition, Citadel has drilled approximately 4,500 m of RC and 42,000 m of diamond drilling. Some remote sensing data has also been acquired and interpreted. In late 2009, 2010 Citadel completed a ground based EM survey. The aim of the survey was for site sterilisation and scoping level exploration review. Consequently the program was completed using large loops, which are not always an optimal configuration for local geological features. and relatively wide station spacing. This initial program highlighted numerous anomalies, several of which require additional surveying with optimised loop configurations prior to drill testing. Citadel plans to complete this work in late 2010 or 2011.

Exploration activity, until quite recently, has focussed on better defining the identified resources of Lodes 1, 2 and 4, so much of the Citadel expenditure is not relevant to the wider exploration on the licence area. Hence, AMC has arbitrarily reduced the Citadel expenditure relevant to the exploration project outside the areas hosting defined mineral resources, by $3.3M to $0.8M.

Records of historical exploration on the Jabal Sayid project indicate that grid mapping was competed and 500 geochemical samples were collected. In addition 909 m of RC and 47,500 m of diamond drilling were completed. As most of this drilling would have been related to Lodes 1, 2 and 4, AMC has ignored the diamond drilling component in assigning a notional value to the

[9] Saudi Arabia Riyals

past exploration. Some Aster remote sensing data is available, and the coarsely sampled, shield wide regional airborne magnetic data is available. An 8 km^2 ground magnetic survey was competed and electrical geophysical surveys completed. A 3 km^2 gravity survey has also been completed. By assuming nominal present values for the various historical exploration activities, AMC has assigned an effective cost of the historical exploration of $0.9M for the Jabal Sayid project.

Two drill-holes have intersected mineralisation of near economic grade at Lode 3, to the north-west of the main mineralisation. Lode 3 is at a different stratigraphic horizon to the other, better established lodes and has not received any significant exploration attention to date. However, the Lode 3 area, as part of the extensive prospective volcanogenic stratigraphic corridor, is included in the current targeting programme in the Jabal Sayid district. This programme includes mapping, and a recently completed ground based EM survey, which generated targets in the prospective stratigraphy, and adjacent to the known mineralisation, including at Lode 3. The prospective stratigraphy continues under the shallow dipping northern sediments and is folded back to the south east of Jabal Sayid. Targets generated are expected to be tested over the next few years.

AMC is of the opinion that the near mine area is prospective for further VHMS deposits. On this basis, AMC has assigned a range for PEMs from 1.5 to 2 to the notional past expenditure producing project values from $2.5M to $3.4M.

4.6 Summary Value of Jabal Sayid Exploration Values

AMC's value range of the exploration potential of the Jabal Sayid Exploration Licence area, not taken into account in AMC's modelling scenarios, is between $4.5M and $23.4M. The value range is based on the Expected Value method for Lodes 1, 2, and 4 extensions, and the Past Expenditure Method for the remaining exploration potential (including Lode 3). AMC's preferred value is $14M, the average of the low and high values.

5 SOURCES OF INFORMATION

For the previous Specialist Technical Report, the assessments reported herein are based on numerous documents, reports, correspondence, plans and sections and other information provided to AMC by Citadel, mainly in the form of electronic copies. Printed material, not easily transmitted electronically, was reviewed by AMC in Citadel's office in Jeddah and at Jabal Sayid. Information was also obtained via the site inspections and communications with Citadel management personnel.

For this updated Specialist's Technical Report, AMC has relied on supplementary information provided by Citadel in electronic format, including the DFS_REV Financial Model, The Lode 1 Pit Optimisation Update Report and metallurgical inputs for Lode 1.A list of material references used by AMC is presented in Appendix B. This list is not exhaustive.

Diagrams included in this report have been sourced from Citadel, as have mineral resource and ore reserve estimates.

6 QUALIFICATIONS

AMC is a firm of mineral industry consultants whose activities include the preparation of due diligence reports and reviews on mining and exploration projects for equity and debt funding and for public reports.

AMC has completed previous assignments of a similar nature for Grant Samuel. AMC and its sub-consultants have also carried out technical consulting assignments for Citadel on the Jabil Sayid deposits. These assignments have not formed part of the DFS, which is the basis Citadel's current plan for the Jabal Sayid project. In all the assignments, AMC and its sub-consultants have acted as independent parties.

The contributors to this report are listed in Appendix C. Neither AMC nor its sub-consultants have any business relationship with Grant Samuel or Citadel other than the carrying out of individual consulting assignments as engaged.

While some employees of AMC and its sub-consultants may have small direct or beneficial shareholdings in Citadel, neither AMC nor the contributors to this report, or members of their immediate families, have any interests in Citadel that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with Citadel or with Grant Samuel.

AMC is being paid a fee according to its normal per diem rates and out-of-pocket expenses in the preparation of this report. AMC's fee is not contingent upon the outcome of the transaction subject to this Report.

This report and the conclusions in it are effective at 12 September 2010. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the projects and the market for mineral properties.

Citadel has provided AMC with indemnities in regard to damages, losses and liabilities related to or arising out of AMC's engagement other than those arising from illegal acts, bad faith or negligence on our part or our reliance on unauthorised statements from third parties.

This report has been provided to Grant Samuel for the purposes of forming its opinion in relation to the proposed transaction described in the introduction to this report. AMC has given its consent for this report to be appended to Grant Samuel's report and to be included in Grant Samuel's advice to Citadel's shareholders, and has not withdrawn that consent before lodgement of that advice with the Australian Securities & Investments Commission. Neither the report nor any part of it may be used for any other purpose without AMC's written consent.

The signatories to the report are corporate members of the AusIMM and bound by its Code of Ethics.

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APPENDIX A

ABBREVIATIONS

ABBREVIATIONS

%	Percent
µm	Micro
A$	Australian Dollars
Ag	Silver
AMC	AMC Consultants Pty Ltd
Arensco	Arabian environmental Science Ltd Company
ASX	Australian Securities Exchange
Au	Gold
BRGM	Bureau de Recherches Geologiques et Minieres
CAF	Cemented aggregate fill
Citadel	Citadel Resource Group Limited
CMCI	Central Mining Company Investment Ltd
CRF	Cemented rock fill
Cu	Copper
DFS	Definitive Feasibility Study
DFS_REV	Revised Definitive Feasibility Study
DMMR	Deputy Ministry of Mineral Resources
EM	electromagnetic geophysical
EPCM	Engineering, Procurement and Construction Management
ESIA	Environmental and Social Impact Assessment
g/t	Grams per tonne
Grant Samuel	Grant Samuel & Associates Pty Ltd
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition, Effective December 2004, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).
km	Kilometres
km^2	Square Kilometres
koz	Thousand Ounces
kt	Thousand Tonnes
lb	Pound
LHD	Load- haul-dump
LOM	Life-of-mine
M	Million
m	Metres
m^3	Cubic Metres
m^3/s	Cubic Metres per Second
mm	Millimetres
MOU	Memorandum of Understanding
Moz	Million Ounces
Mt	Million Tonnes
Mtpa	Million Tonnes per Annum

MW	Megawatt
Ni	Nickel
NSR	Net Smelter Return
oz	Ounce
PEM	Prospectivity Enhancement Multiplier
PME	Presidency of Meteorology and Environment
RC	Reverse Circulation
S	Sulphur
SAG	Semi-Autogenous Grinding
SAR	Saudi Arabia Riyals
t	Tonnes
tpa	Tonnes per Annum
US$	United States Dollar
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition, Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
VHMS	Volcanic Hosted Massive Sulphide
Zn	Zinc

APPENDIX B

REFERENCES

REFERENCES

Sources of Information

The following is a list of key references used by AMC. This list is not exhaustive.

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APPENDIX C

CONTRIBUTORS TO THE REPORT

CONTRIBUTORS TO THE REPORT

The contributors to this report include the following:

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Andrew Chuk	BEng (Mining) (Hons), B Economics	MAusIMM	Peer review
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