

DECEMBER 2008 QUARTERLY REPORT

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HIGHLIGHTS

JABAL SAYID

- Resource upgrade in final review stages and will be completed in February 2009. This focused on an upgrade from inferred to indicated for the mining reserve and also to include some of the gold and silver in both the sulphide and oxide zones.
- Material reduction in Capex requirements for the Jabal Sayid project, with Capex reduced to a range of US\$250-\$280M.
- Scope has now been fixed at a design rate of 3.4MT pa ore supply producing 60,000 tpa Cu with a 12 year mine life
- Sub level caving and large open stopes chosen as the mining method which supports an expansion plan to 5 Mtpa

SHAYBAN

Metifex Engineers headed by Seit Meeka and Stuart Smith commenced a pre-feasibility study (PFS) on Shayban. This includes continued drilling, metallurgy and process flow sheet design.

DRILLING

- Excellent drilling results continue to be returned from the Jabal Sayid project.
 - 302m at 2.7% Cu, 0.17g/t Au, 10.5g/t Ag (BDH4016)**
 - 289m at 1.9% Cu, 0.43g/t Au, 21.5g/t Ag (BDH2024)**
- Infill drilling at Lode 2 (Jabal Sayid) significantly extends the copper and gold mineralisation outside of the current reported resource envelope.
 - 98m at 2.4% Cu, 0.47g/t Au, 28.0g/t Ag (BDH2036)**
 - 68.3m at 3.3% Cu, 0.41g/t Au, 15.5g/t Ag (BDH2030)**
- Drilling at Shayban returned outstanding results significantly upgrading the project. Results included:
 - 41m at 22.8g/t Au incl 16m at 50.7g/t Au (SH052RC)**
 - 28m at 14.2g/t Au (SH049RC)**
 - 35m at 6.1g/t Au and 19m at 10.7g/t Au (SH043RC)**
 - 31m at 6.9g/t Au incl 16m at 10.1g/t Au (SH048RC)**
 - 42m at 4.6g/t Au incl 9m at 12.7g/t Au (SH051RC)**
 - 76m at 2.2g/t Au (SH044RC)**

ABOUT CITADEL RESOURCE GROUP

Citadel has a portfolio of Copper, Gold, Zinc and Nickel metal projects on the Arabian Shield in Saudi Arabia. All projects are 100% owned other than Jabal Sayid which is 50% owned. This portfolio includes:

Jabal Sayid: world class VMS system containing Inferred and Indicated Mineral Resources of 74 Mt including 52Mt @ 1.6% Cu and 22Mt @ 0.7% Cu, 2.0% Zn (see Table 1 and 2 for details).

Jabal Shayban: gold/copper project containing Measured and Indicated Mineral Resources of 1.8Mt at 2.8 g/t Au, 26.7 g/t Ag, 0.5% Cu (see Table 4 for details) which is open in all directions.

Jabal Baydan: a zinc/gold project 5km from Jabal Shayban where significant high grade zinc and gold mineralisation has been intersected.

Lahuf: lies 6km from a producing gold mine with 6Moz past production, it has a Mineral Resource of 1.7 Mt at 2.6 g/t Au (see Table 5 for details); open at depth.

Bari: ancient gold workings covering 1.4 km of strike with historical drill results including 39m at 7.32 g/t Au, 12.86 g/t Ag and 84m at 6.75 g/t Au and 5.1 g/t Ag.

Wadi Kamal: virtually unexplored layered ultramafic complex where recent exploration has upgraded the Ni-Cu-Pt potential to a high priority.

Muraijib-Bil'iwy (100%): limited trenching of a major alteration system which covers an area of 6km x 2km intersected 32m at 1.75 g/t Au and 12m at 1.8 g/t Au.

ASX Code: CGG, CGGCC

Shares on Issue

732.7 (listed)

398.3m (escrowed for 2 years)

1129.0m Total

37.0m Contributing Shares (2.5¢ to pay)

51.8m 20 Cent Opts (41.5m escrowed)

10m 35 Cent Opts)

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SAFETY

Unfortunately there were 2 incidents in the quarter. A field assistant at Jabal Sayid received minor cuts from a glass door at the exploration camp that was slammed shut by a gust of wind. A drilling offsider working for the drilling contractor suffered bruising when struck by a stiltson when pulling rods on the RC rig. The offsider took 2 days off work to recuperate. Safety initiatives during the month included planning for site based health professionals at Jabal Sayid, and the commencement of refurbishment of an existing building into a first aid and safety briefing facility.

COMMUNITY AND TRAINING

Citadel personnel, along with senior government officials from the Al Mahd region visited Saudi Aramco (the state oil company) to inspect their operations. One of the major pump stations on the east-west oil pipeline is about 50kms from Jabal Sayid.

PLANNED WORK PROGRAM DURING THE MARCH QUARTER

1.0 JABAL SAYID PROJECT

- Finalisation of the updated Resource to be released in February which will include results from the drilling program during 2008. As much of this program has been focusing on in-fill drilling the results will include some Resource upgrade from Inferred into Indicated Category.
- Completion of the Mining Option Study to finalise the exploitation scenario for the Definitive Feasibility Study (DFS).
- Continued in-fill and Resource extension Diamond core and RC drilling as well as exploration activities within the greater Jabal Sayid project area.
- Completion of the refurbishment of the decline and the commencement of underground drilling to upgrade the Inferred part of the current Resource to Indicated and test the potential of Lode 4 at depth.
- Continued work associated with the feasibility study including, water, environmental/community impact assessment and planned infrastructure review.

2.0 JABAL SHAYBAN PROJECT

- Completion of a Mineral resource Estimate.
- Commencement of a mine option study.
- Diamond core drilling to test the along strike, down dip, and down plunge potential of the copper mineralization below 100m.
- Further metallurgical test work including column leach testwork on diamond core samples.
- Surface exploration along the 15km strike within the greater exploration area.

3.0 LAHUF PROJECT

- Initial RC drilling program due to start during the current quarter.
- Regional surface exploration of structural, geochemical and spectral anomalies.



Water pipeline being installed in the Jabal Sayid Decline

Underground equipment approximately 2.5kms along the decline traveling north towards Lode 4



Completed ventilation in the Jabal Sayid decline.

QUARTERLY OPERATIONS

1.0 JABAL SAYID COPPER GOLD PROJECT (50%)

Feasibility Study

Considerable progress was made on the Jabal Sayid Definitive Feasibility Study (DFS) during the quarter. This included a material reduction in projected capital expenditure from US\$360M to a range of US\$250-\$280M and a startup scenario to utilise near surface mineralisation at Lode 1 which adds up to US\$40m to budgeted cashflows at current metal prices. The current forecast operating cost is \$1.00lb but there remains an expectation that both capital and operating costs will be reduced further.

Summary DFS Update

- Stage 1 DFS remains on track to be delivered in Q3 2009.
- Stage 1 Project design fixed at 3.4MTPA producing an average of approximately 60,000 tpa copper in concentrate over the life of the mine.
- Initial 10 Year Mine Life based on Lodes 2 and 4 only, with expectation of significant reserve extension and exploitation of the polymetallic mineralisation of Lode 1 to further extend mine life.
- Project capital expenditure has been reduced from US\$380M to a range of US\$250-280M.
- Life of Mine average head grade of 1.9%Cu.
- Selection of a combination of Sub Level Caving and large open stopes as the mining method for Lodes 2 and 4 will provide opportunity to target overall cash costs below US\$1.00/lb copper produced. Lode 1 will be mined as an open pit.
- Startup scenario available to accelerate production and maximize cashflow in the first 3 years by utilizing near surface mineralisation at Lode 1 for early gold and copper production. Adds up to US\$40m to budgeted cashflows at current metal prices.
- Potential to expand production to 5MTPA rapidly, as resource growth continues.

The DFS, which remains on schedule to be delivered in Q3 2009, is based on the current combined Indicated and Inferred Mineral Resource of 31Mt @ 2.3% Cu in Lode 2 and Lode 4 (Table 2) however, this will be upgraded in February 2009 and the DFS amended. The resource is conducive to low unit cost mechanized underground mining methods – this will be Stage 1 of development.

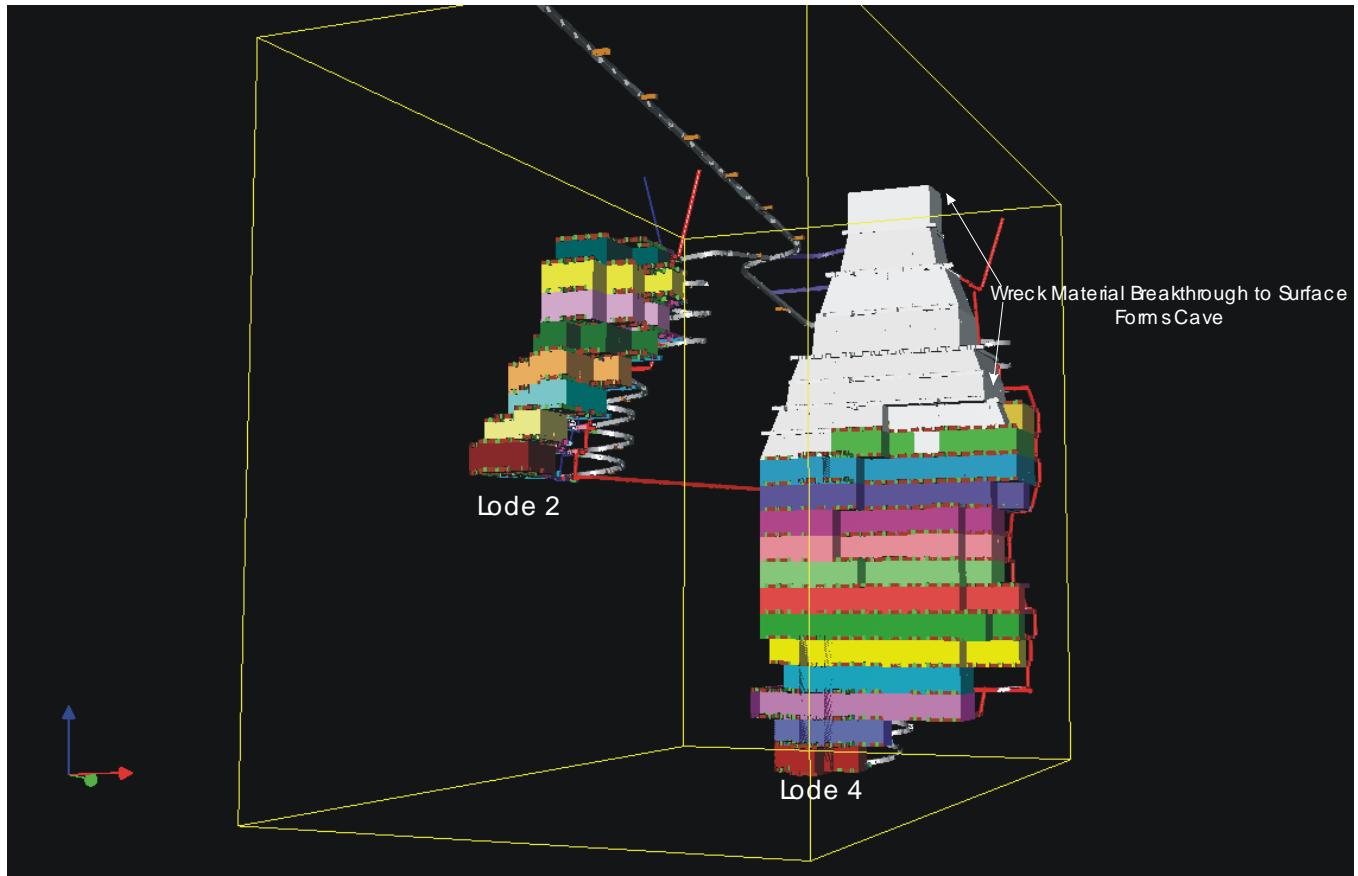
In November 2008 Citadel, with its mining consultants AMC, undertook a critical review of the proposed mining method for the Jabal Sayid project. Prior work on the prefeasibility study (PFS) was based on long hole open stoping and cemented backfill. Recent drilling results have shown that the top of the Lode 4 mineralisation is much closer to surface than previously understood. This, combined with production schedule and cost advantages makes Sub Level Caving a significantly superior mining method for the project, and accordingly the project scope was amended to this in late November 2008.

Sub Level Caving offers significant economic benefits including

- Lower Operating Cost with Mining Costs targeted to be below \$21 tonne ore
- Lower pre-production capital cost
- Reduces initial mine development
- Increases early cash flow
- Reduces water requirements by 60%
- Facilitates future expansion

The resultant reductions in water use, operating and development costs, combined with the dramatic falls in construction cost inputs seen over the last two months require a significant change to the PFS work that was underway. The PFS work being undertaken by Worley Parsons has now ceased and will now be completed by an integrated Citadel/SNC Lavalin team. The PFS results are expected to be available in Feb 2009.

Figure 1 - Jabal Sayid 3D View showing proposed Stage I underground development plan



The scope of the project has now been fixed to a design rate 3.4MT pa ore supply, however an Expansion plan to 5 Mtpa is supported by the mining method. Copper production is scheduled by the end of 2010, with gold production from Lode 1 “gold cap” by mid 2010. The annual production rate will be 60,000 tonnes of copper in concentrate, with Au/Ag credits. This will give a mine life 12 years +, with operating cash costs below US\$1.00/lb. Discussions are also underway with Swick Mining to use waterhammer drilling technology to increase inter-level distances which would further reduces costs.

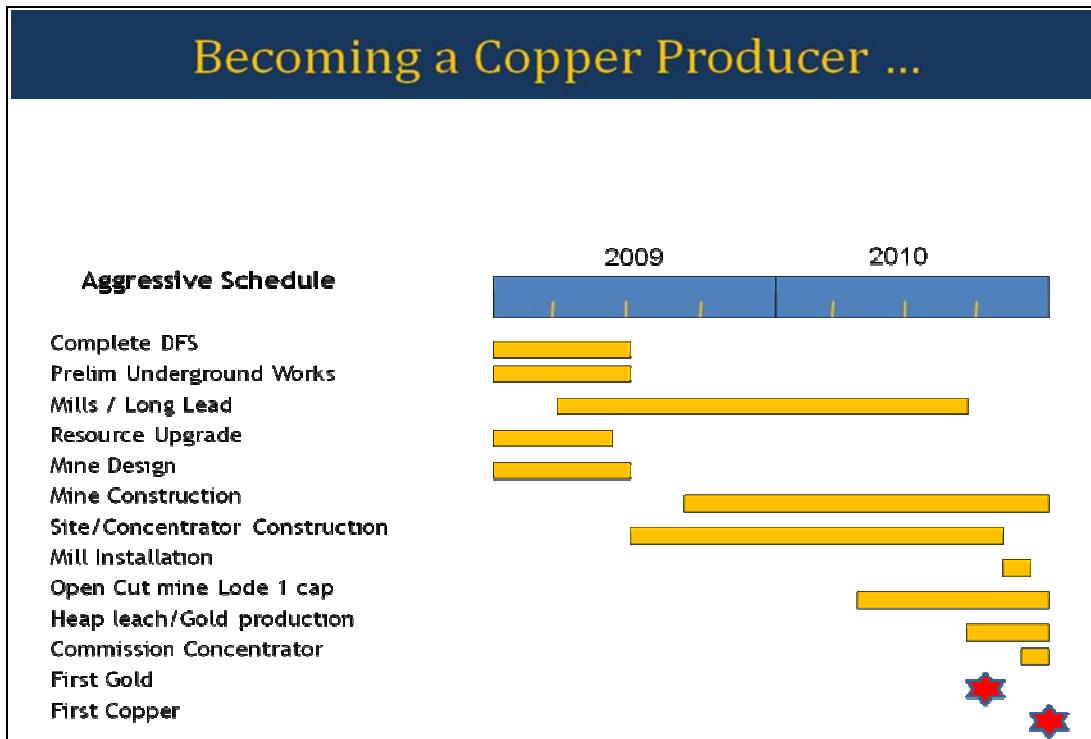
Project Startup and Timelines

The startup scenario currently being studied includes a number of measures designed to maximize cashflow in the initial years of production to allow Citadel greater flexibility given the current financial environment.

- Recent significant reductions in lead times for major items such as grinding mills has provided an opportunity to further accelerate the project construction schedule. First copper production by the end of 2010 is the project team's objective.
- The mine schedule for Lode 4 and 2 is to be optimized to maximise grade in early years, without impacting on long term extraction of the resource.

- Near surface copper mineralisation at Lode 1 will be open cut mined and used as commissioning ore for the concentrator, and to top up year 1 production to concentrator nameplate. The updated tonnes and grade in Lode 1 will be announced with the new Resource in February 2009.
- The overburden removed at Lode 1 to access the early plant feed will largely comprise gold-rich oxide material. The study to mine, crush and transport to the tailings impoundment area where a low cost heap leach plant will be used to produce gold/silver dore is currently being completed.
- The early mining of near surface mineralisation at Lode 1 will produce rapid cash flow from the sale of gold/silver dore for several years, and also provide supplementary feed to the copper concentrator while the underground mine ramps up to full production.

Figure 2 – Project Timeline



Mineral Resource Estimate

Citadel anticipates reporting an updated resource for Jabal Sayid in February 2009.

Table 1- Jabal Sayid Total Resource Estimate

Resource Category	Type*	Tonnes (Mt)	Cu %	Contained	Zn %	Contained
				Cu t (000's)		Zn t (000's)
Indicated	MS	2.6	1.95	50.9	1.36	36
Indicated	MS	0.9	0.35	3.3	1.59	15
Indicated	Stockwork	18.6	1.90	353.1	0.09	16
All		22.2	1.84	407.3	0.30	67
Inferred	MS	1.5	1.80	27.0	1.24	19
Inferred	MS	17.1	0.45	77.1	2.17	371
Inferred	Stockwork	33.5	1.44	483.4	0.09	32
All		52.1	1.13	587.6	0.81	421
TOTAL	MS	22.2	0.71	156.3	1.98	440
TOTAL	Stockwork	52.1	1.61	836.6	0.09	48

Cu stockwork reported at a 0.2% Cu cut-off. Massive Sulphides (MS) reported at a 0% Cu cut-off within the geologically interpreted MS boundary

Table 2 - Jabal Sayid Lodes 2 & 4 stockwork mineralisation at 1% Cu cutoff domain
– subject of current Pre-Feasibility Study

Lode	Category	Cutoff Cu%	Tonnes (Million)	Grade Cu %	Contained Cu (000't)
2	Indicated	1.0	3.3	2.5	80.5
4	Indicated	1.0	10.3	2.4	243.5
	Subtotal		13.6		323.9
2	Inferred	1.0	2.6	2.1	54.1
4	Inferred	1.0	14.9	2.3	341.0
	Subtotal		17.5		395.1
2	Indicated + Inferred	1.0	5.9	2.3	134.6
4	Indicated + Inferred	1.0	25.3	2.3	584.4
	TOTAL		31.1	2.3	719.0

Table 3 - Jabal Sayid Resource Estimate – 2% Cu cutoff domain

Lode	Category	Cutoff Cu%	Tonnes (Million)	Grade Cu %	Contained Cu (000't)
1	Indicated	2.0	1.0	3.05	29.8
2	Indicated	2.0	2.1	2.93	62.9
4	Indicated	2.0	6.1	2.95	180.8
	Subtotal		9.3		273.6
1	Inferred	2.0	0.5	2.90	12.9
2	Inferred	2.0	1.2	2.76	31.7
4	Inferred	2.0	8.5	2.91	248.1
	Subtotal		10.1		292.8
1	Indicated + Inferred	2.0	1.4	3.00	42.8
2	Indicated + Inferred	2.0	3.3	2.87	94.6
4	Indicated + Inferred	2.0	14.7	2.93	429.0
	TOTAL		19.4	2.92%	566.4

Decline Dewatering and Underground Refurbishment

During the quarter the rehabilitation of the decline was started and underground refurbishment is well underway. This will enable underground drilling, which will involve two diamond drill rigs, to commence in January 2009.

This underground drilling program will allow testing of the down plunge extensions of Lode 4. The base of the current resource model is constrained by the lack of deeper drilling and mineralisation remains open down-plunge. The deepest hole drilled by Citadel to date (drillhole BDH4016) intersected **45m at 4.06% Cu, 0.12% Zn, 0.30g/t Au, 24.64g/t Ag** from 607 to 652m downhole and the hole ended in mineralisation at 664m downhole.

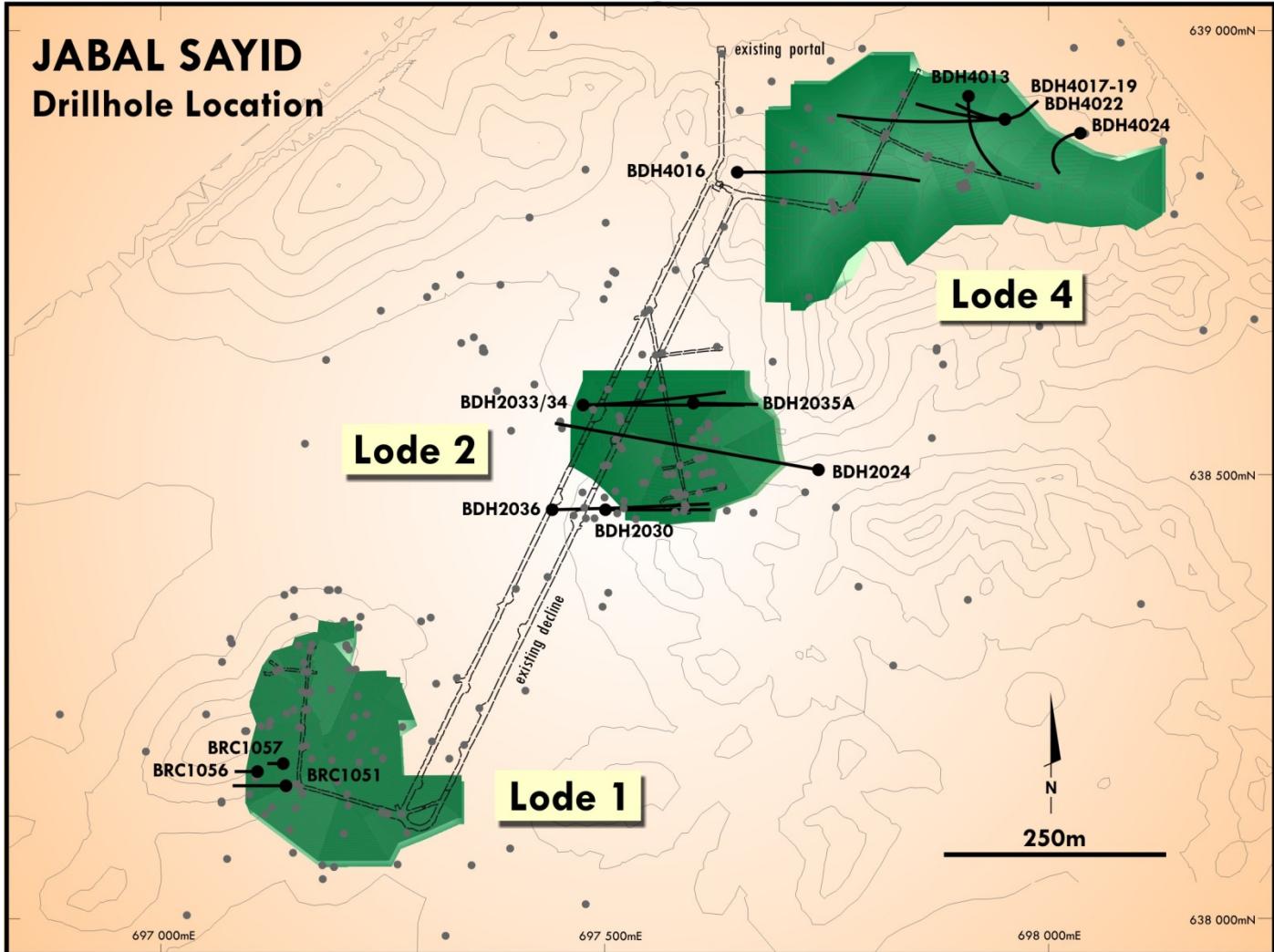
Exploration & Metallurgical Drilling

During the Quarter drilling was focused on:

- drilling for metallurgical samples within Lodes 2 and 4.
- infill and extension drilling to upgrade the classification of the current Resource within Lodes 2 and 4.
- the completion of RC drilling aimed at better defining the gossan caps of Lode 1.

A complete list of the RC and Diamond Core drilling results from the Quarter is given in TABLE 6. Since the end of the quarter the pace of drilling has been ramped up further with 3 diamond drill rigs now working on surface and 2 underground diamond drill rigs in Saudi, to be delivered to site in January 2009.

Figure 3 – Plan View showing Jabal Sayid drilling during the quarter



More significant intersections during the quarter include:

- 351m at 1.72% Cu, 0.06% Zn, 0.20 g/t Au, 5.43 g/t Ag** from 132m downhole (BDH4013, Lode 4) including a higher grade run of **64m at 2.27% Cu, 0.51g/t Au, 5.43g/t Ag** from 138m which is above the current resource envelope. Mineralisation was nearly 100m closer to surface than currently modelled.
- 302m at 2.66% Cu, 0.09% Zn, 0.17g/t Au, 10.48g/t Ag** from 362m downhole (BDH4016, Lode 4) which ended in mineralisation at 665m downhole and the deepest higher grade zone of **45m at 4.06% Cu, 0.30g/t Au, 24.64g/t Ag** from 607m downhole pushed the plus 1% Cu envelope 42m deeper than the current resource.
- 105m* at 1.14% Cu and 0.29g/t Au** from 271m downhole (BDH4017, Lode 4). This hole gives further definition to the upper surface of Lode 4. The hole ends in mineralisation.
- 20m at 1.89% Cu and 0.40g/t Au** from 198m downhole and a second intercept of **38.5m at 0.65% Cu and 3.26g/t Au** from 250.5m downhole (BDH4019, Lode 4). The high gold intersect is on the western side of Lode 4 and needs further follow-up.

Figure 4 – Cross Section Showing Lode 4 Drilling

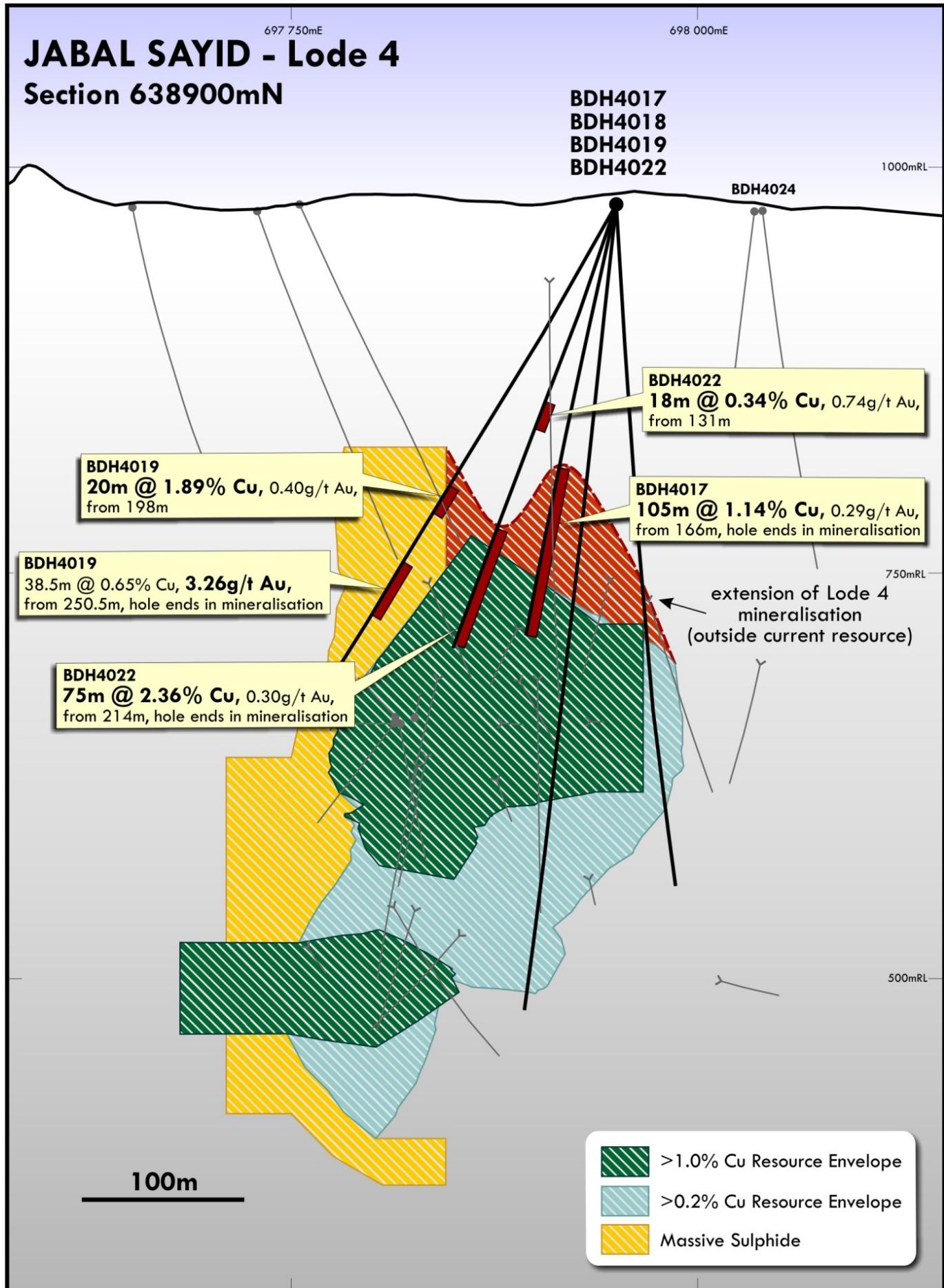
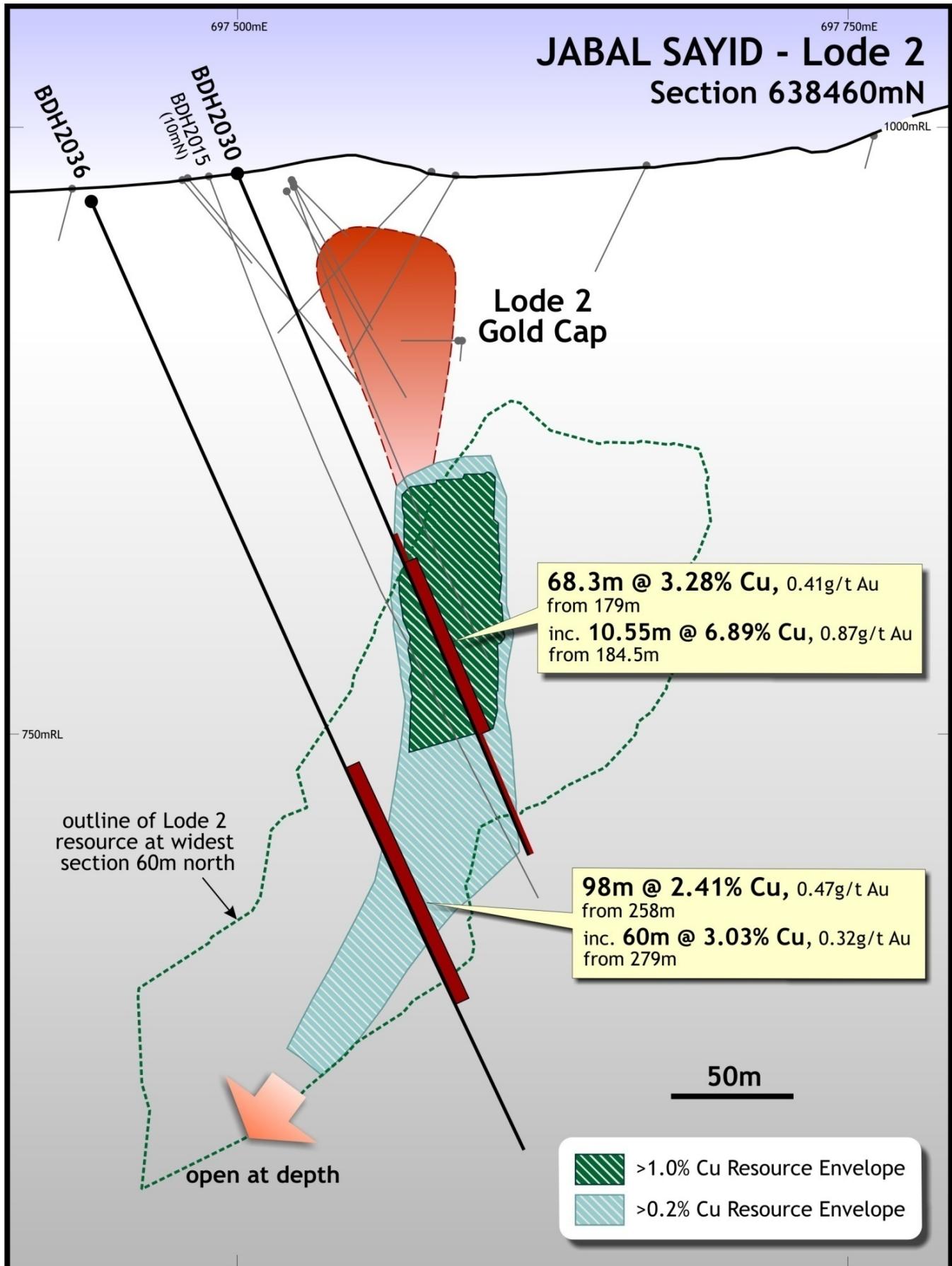


Figure 5 - Cross Section Showing BDH2030 and BDH2036

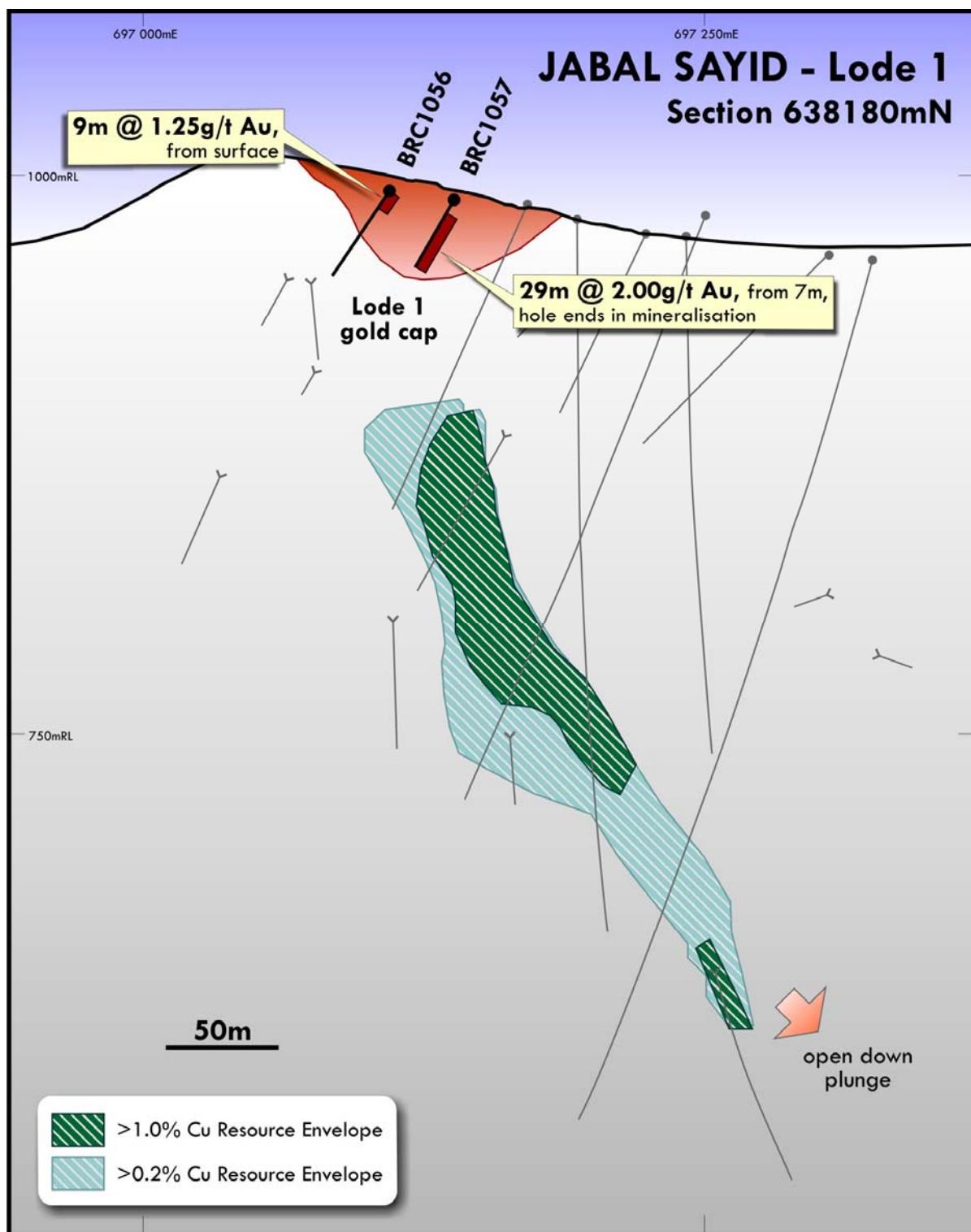


- **98m at 2.41%Cu, 0.47g/t Au, 28.0g/t Ag and 0.86% Zn** from 258m downhole (BDH2036, Lode 2) including **60m at 3.03% Cu, 0.32g/t Au, 23.4g/t Ag** where mineralisation was 30m higher than

expected, and the intersection was 53m wider than anticipated. BDH2036 includes a higher grade intersection of **and 0.33% Zn**.

- **68.3m at 3.28% Cu, 0.41g/t Au, 15.45g/t Ag** from 179m downhole (BDH2030, Lode 2) including a higher grade zone of **10.5m at 6.89% Cu, 0.87g/t Au, 32.3g/t Ag** from 184.5m downhole. The grades were significantly above the anticipated resource grade and will upgrade the high grade domain in the Lode 2 resource model.
- **29m* at 2.00g/t Au, 11.76 g/t Ag** (BRC1057, Lode 1 RC) the hole ended in mineralization and the entire intercept was outside of the current resource envelope.

Figure 6 – Cross Section showing Lode 1 RC Drilling



The new Lode 2 holes extended the strike length of Lode 2 to the south and it remains open along strike in this direction. These results have given Citadel the confidence to drill some further step out holes. This is planned in combination with the in-fill drilling program currently underway and scheduled for completion by mid 2009.

All Lode 1 RC drilling intercepts were located outside the current Mineral Resource envelope and the results continue to show the potential of Lode 1. This phase of the RC program has extended the Lode 1 oxide gold cap over surface area of approximately 230m by 140m. No estimate has been made of the precious metals content of the gossan caps over Lode 1 and 2 and Citadel is currently interpreting the data to carry out this task.

2.0 JABAL SHAYBAN GOLD PROJECT (100%)

The Jabal Shayban Gold Project is located approximately 150km NE of Jeddah, and is accessed off a sealed highway. Previous work at Shayban includes a Measured and Indicated Resource of **1.8 Mt at 2.76 g/t Au, 23.11 g/t Ag and 0.46% Cu** (Source Ma'aden, 1999 –Table 4) which remains open in all directions.

Shayban is contained within Citadel's Wadi Shugea project which covers 203 sq km's of the highly prospective Neo-Proterozoic Ariab-Samran-Shayban volcanic belt. The Ariab-Samran-Shayban volcanic belt extends for in excess of 1000km from the Nile Valley in Sudan, north-eastwards across the Red Sea into Saudi Arabia. The belt hosts several significant gold and base metal mines, from Sudan (Hassai gold-rich VHMS deposit (+2Moz)) in the south through to the Mahd Adh Dhahab (Cradle of Gold deposit +5Moz) and Citadel's Jabal Sayid deposits to the north. The VHMS and precious-metal epithermal deposits of the Ariab-Samran-Shayban mineral belt form a world-class mineral province that Citadel believes will deliver further discoveries in the near future.

Within the Jabal Shayban prospect area mineralisation is marked by an extensive zone of alteration and gossanous outcrop and mainly occurs within the "Shayban Shear Zone" a locally significant deformational zone that is mapped for in excess of 2.5km in the immediate area. The Jabal Shayban project occurs within a wider 7km long by 2km wide zone of strong hydrothermal alteration. This zone also encompasses numerous areas of gossans, extensive ancient workings, anomalous geochemistry and geophysical anomalies which have previously been identified by the BRGM.

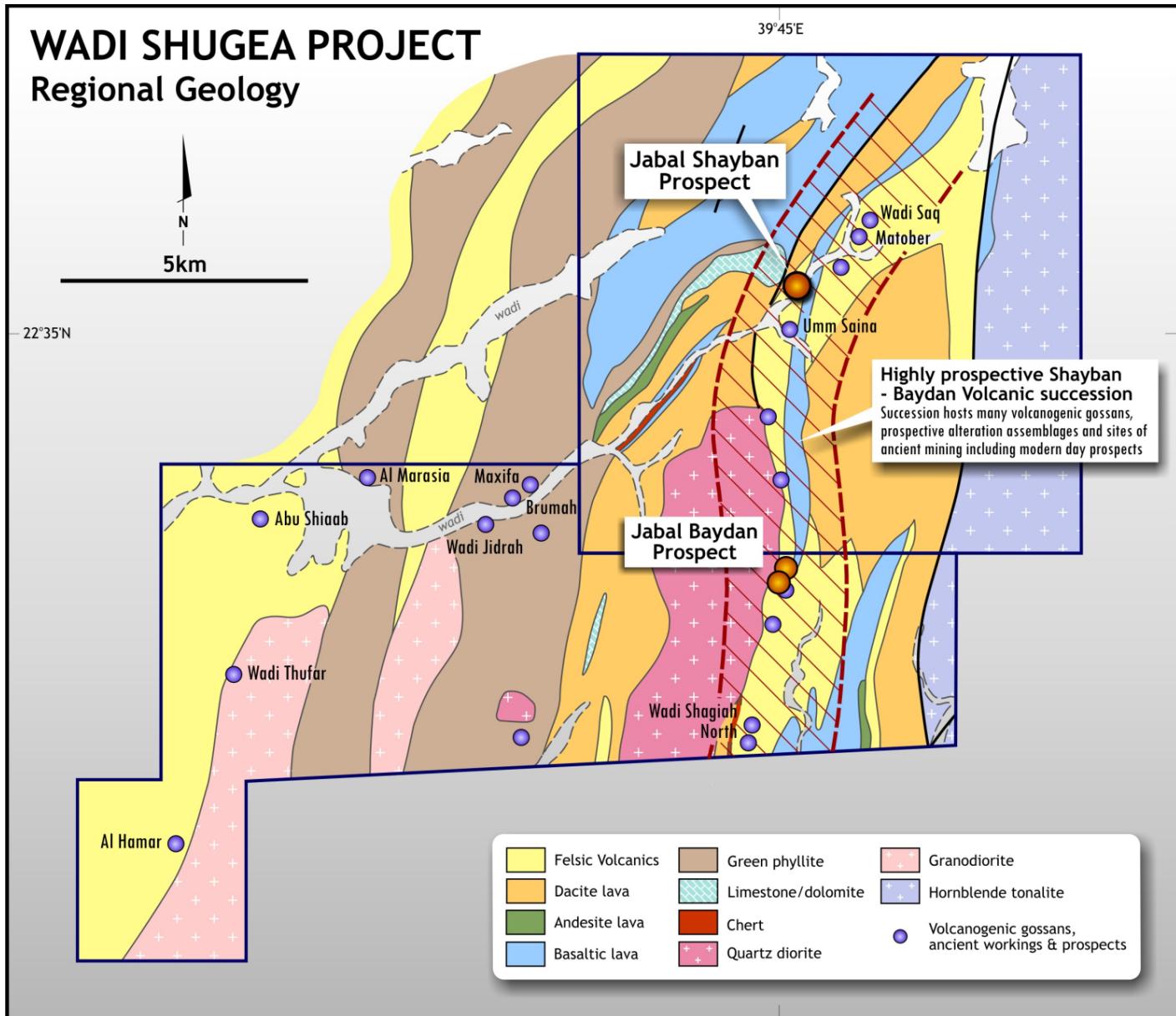
Exploration Drilling Program

Citadel's completed its second RC drilling program at Shayban during the quarter. The results included bonanza grade intersections and confirmed broad stacked zones of high grade gold mineralisation from surface or near surface. Results included **41m at 22.8g/t Au** from surface (SH052RC), **28 m at 14.2g/t Au** from 14m (SH049RC), **31m at 6.9g/t Au** from 15m (SH048RC), **50m at 4.70g/t Au** (SH043RC) and **42m at 4.59g/t Au (SH051RC)**. A complete listing of all gold assays received during the quarter is given in TABLE 7. Silver and base metal results for all holes are pending and should be available shortly.

This second RC drilling program has allowed a better understanding of the distribution of the mineralisation at Shayban. Mineralisation forms shallowly south plunging, westerly dipping, semi-continuous lodes that are currently open down plunge, down dip and along strike.. As illustrated by Figure 9 (965mE Long Section) the

Iodes are boudinaged out along the Shayban Shear Zone. In long section the lodes have an attenuated, “pinch and swell” morphology that are traceable for in excess of 600m along plunge (currently open).

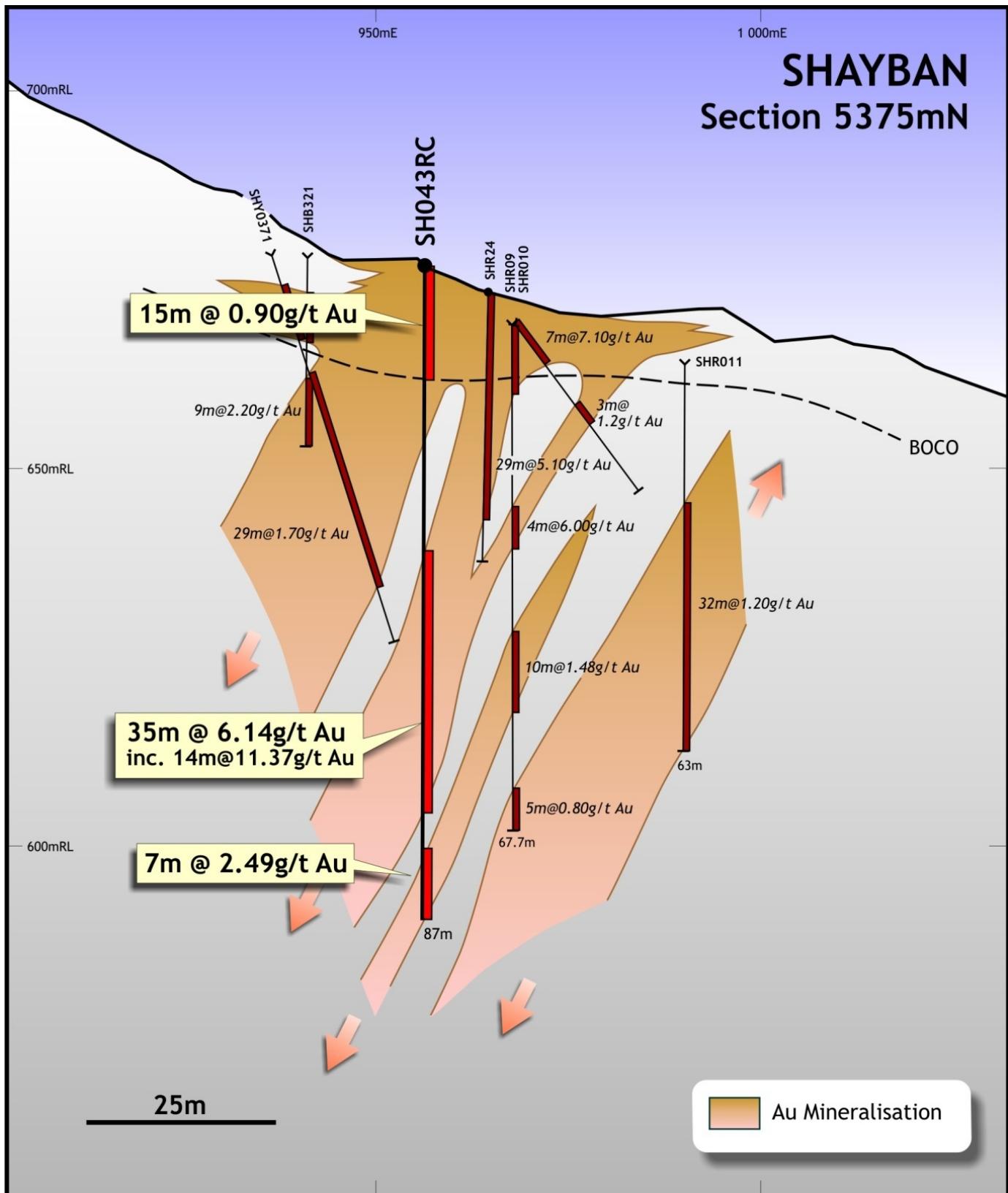
Figure 7 - Jabal Shayban Project Regional Geology



The recent drilling also indicates the bonanza grade material is not the result of supergene enrichment and is likely to persist at depth. Importantly the highest grade portion of the intersection in drillhole SH052RC (**41m at 22.75 g/t Au** from surface with the hole ending in mineralization) which included **16m at 50.71g/t Au** from 22m consisted of primary mineralisation. Drillhole SH049RC which intersected **28 m at 14.17g/t Au** from 14m also ended in mineralisation with the basal 1 meter split returning an assay of 10.0 g/t Au. The hole included a bonanza grade section of **5m at 65.7g/t Au**, again within the primary zone, which included a peak 1m split of **154.5g/t Au**.

Citadel's ongoing exploration drilling program continues to demonstrate Jabal Shayban's potential to host a significant mineral resource. Mineralisation has now been delineated over a strike length of 550m and is currently open along strike (to the north), down dip (to the west) and down plunge (to the south).

Figure 8 - SH043RC – Section 5375mN



Metallurgical Testwork

Citadel completed early stage leach testwork undertaken with Ammtec in Perth during the quarter. The testwork is very encouraging in terms of gold recovery for either a heap leach or a conventional CIL circuit indicating excellent gold recoveries in excess of 95%.

The testwork involved using the as-received RC chips in an intermittent bottle roll test. The sample used was a composite of samples from 11 drill holes. The overall leach recovery of gold was 92.8%. This initial test on RC chips had an 80% passing size of 1.9mm. A second test was conducted on the same sample after laboratory grinding to give an 80% passing size of 75 microns (normal sizing for a CIL circuit). This gave an increased gold recovery of 95.8%.

The metallurgical testwork has also confirmed the high grade of the drill samples from Jabal Shayban with the average calculated head of the composite sample being 16.1g/t, the assay for this sample being 16.5g/t and the average of the original drill assays being 16.8g/t. This close correlation also supports the view that the particles of gold at Jabal Shayban are quite finely and evenly distributed.

For both initial bottle roll tests the cyanide consumption was in the range of 5.2 to 5.5 kg/t. While high it is anticipated that low energy and labour costs and the low strip ratio at Shayban will still result in low cash costs. Additional work is also underway to look at ways of reducing the cyanide consumption. The main cause of high cyanide consumption is high levels of soluble copper in the upper (oxidised) portion of the mineral deposit. It is intended that the zones of high soluble copper could be treated with a simple leach pre-treatment to remove and recover the soluble copper.

Table 4 - Jabal Shayban Mineral Resource

Mineralisation	Measured				Indicated			
	Tonnes	Au g/t	Ag g/t	Cu %	Tonnes	Au g/t	Ag g/t	Cu %
Oxide	266,300	2.56	31.1	0.43	156,100	3.79	30.4	0.39
Sulphide	738,900	2.78	20.5	0.52	648,500	2.58	31.1	0.42
<i>Grand Total</i>	<i>1,005,200</i>	<i>2.72</i>	<i>23.3</i>	<i>0.50</i>	<i>804,600</i>	<i>2.81</i>	<i>31.0</i>	<i>0.41</i>

3.0 LAHUF

The Lahuf prospect lies 12km from the operating Mahd Adh Dahab gold mine and currently has mineral resources of 1.7Mt at 2.6 g/t Au (Ma'aden 1999) (Table 5). During the last quarter further assessment of the project was undertaken including field verification, data compilation, interpretation and minor sampling. This work led to the development of a RC drilling program which will be commenced early in the coming quarter.

Lahuf occupies a similar stratigraphic position to the Mahd Adh Dahab gold mine (+5Moz's Au) and similar styled mineralisation has been intersected and defined at the prospect. Lahuf consists of 3 discrete zones. The 3 zones are known as the Eastern Vein, the Central Breccia and the Western Breccia and occupy an area of approximately 1.6km by 1.2km. The prospects are marked by significant ancient workings with the greatest excavations having occurred along the high grade Eastern Vein.

An RC rig has now been mobilised to Lahuf and will commence a 1500m program early this quarter. This program is designed to test the Eastern Vein and Central Breccia zones only. Initially the high grade Eastern Vein will be tested

by 7 holes to a depth of approximately 120m. The rig will then test selected higher grade zones within the Central Breccia. Specific drill targets consist of quartz vein breccia lodes, quartz stockwork veins and breccias.

Future exploration work at Lahuf will be completed with the aim of generating near surface gold resources that could be treated in conjunction with the Jabal Sayid oxide cap.

Table 5 - Lahuf Mineral Resource Estimate

Zone	Mineralisation	Measured		Indicated		Inferred		Totals	
		Mt	Au g/t	Mt	Au g/t	Mt	Au g/t	Mt	Au g/t
Western	Oxide	0.01	5.92	0.15	1.08	0.10	1.25	0.25	1.31
	Oxide	0.11	2.82	0.49	1.32	0.27	1.74	0.87	1.65
Central	Sulphide	0.09	3.77	0.11	1.56	0.05	2.01	0.25	2.47
	Oxide	0.06	9.66	0.19	5.65	0.08	3.03	0.33	5.76
Eastern	Sulphide	0.00	0.00	0.75	0.01	19.27	0.01	15.08	
	Oxide	0.18	5.26	0.82	2.26	0.45	1.87	1.45	2.52
Totals	Sulphide	0.09	3.77	0.11	1.54	0.06	4.41	0.26	2.97
Grand Total		0.28	4.76	0.93	2.18	0.50	2.16	1.71	2.59

CORPORATE

Cash at bank of A\$20.2m at the end of the quarter. Expenditure during the quarter of \$4.1M was below the \$4.85m budget as the company took advantage of the weak conditions allowing it to successfully renegotiate a number of service contracts including the decline refurbishment and underground drilling contracts. Anticipated expenditure next quarter is \$4.9M.

SAUDI ECONOMY

The Saudi Arabia Monetary Agency (SAMA) reduced the repo rate to 3 percent in November 2008. SAMA injected US\$2-3 billion of liquidity into the banking sector in the form of both USD and Saudi Riyals. Commercial banks over the 3rd Quarter increased their bank loans to the private sector by 7.6% to SR38.9 billion (AU\$14.5B).

The Saudi Government has made clear its commitment to continue with planned infrastructure spending and lower input costs in the form of raw materials and lower project costs have made most of the planned projects more affordable. Across the Government and private sector there are currently US\$600 billion in planned projects and most are expected to continue through to completion. The projects by sector are:

- Construction 51%
- Petrochemicals 21%
- Oil & Gas 19%
- Power 13%
- Water 3%

Inflation is expected to fall from a peak of 11% in July 2008 to 6.7% in 2009. The majority of the inflation is driven by real estate.

During the first quarter of 2009 the Citadel Management team are meeting regional debt and equity institutions to commence the process of project financing for the Jabal Sayid project.

For further information please contact:

Citadel Resource Group Limited

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Media Enquiries

John Field

Field Public Relations

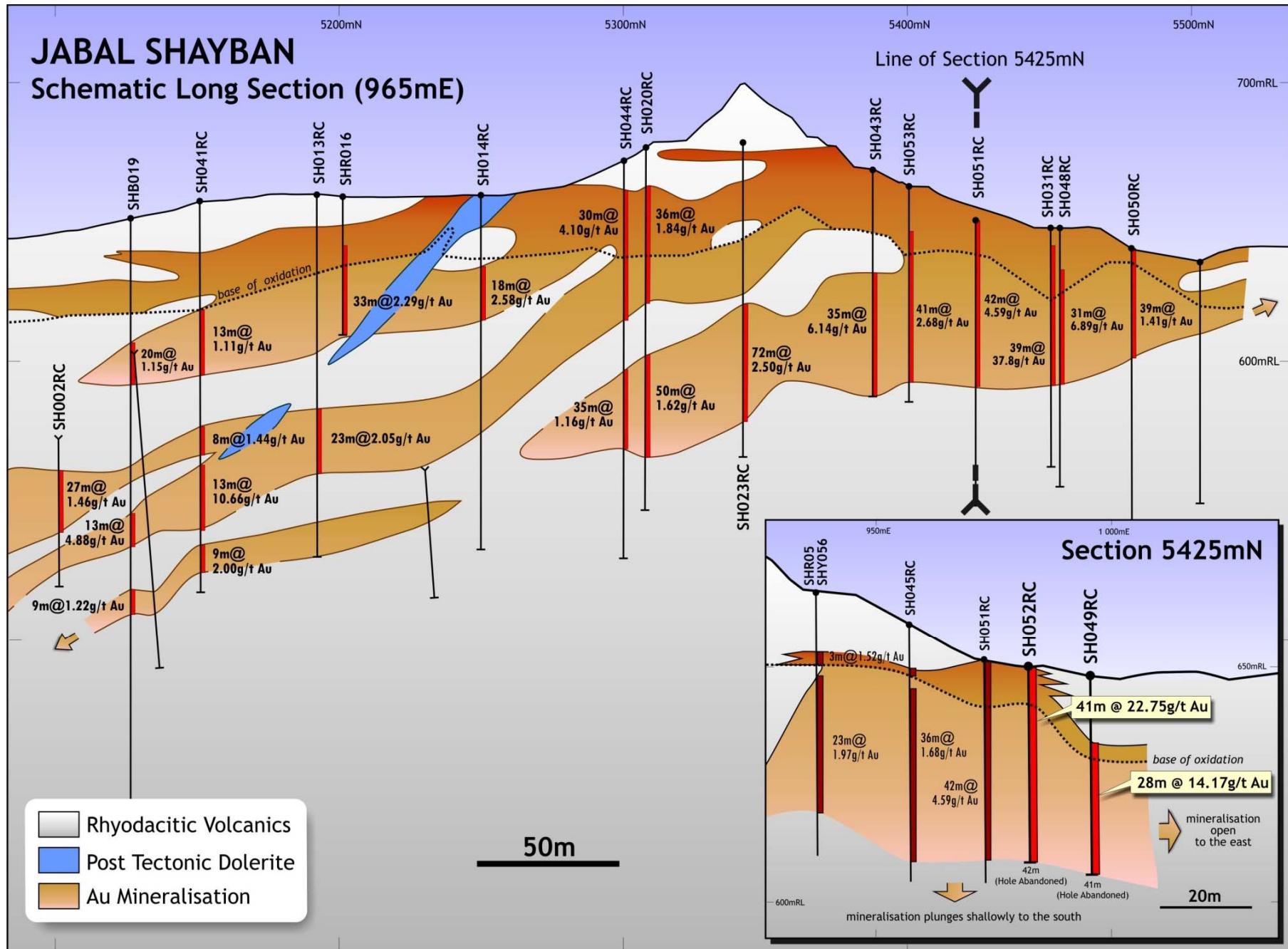
08 8234 9555

Email - john@fieldpr.com.au

Note 1: For Jabal Sayid and Citadel's Mineral Resources: The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Steve Rose, who is a Member of the Australasian Institute of Mining and Metallurgy. Steve Rose is a full time employee of Citadel Resource Group. Steve Rose has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Steve Rose consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

Figure 9 - Shayban Long Section



ATTACHMENT I –
TABLE 6 QUARTERLY DRILLING RESULTS FOR JABAL SAYID

Jabal Sayid RC Drill Program Lode 1																		
Hole ID	Co-ordinates		RL	Azi.	Incl.	Total Depth (m)	Significant Assay Results						Significance of Results					
	Northing	Easting					From (m)	To (m)	Length (m)	Grade			Codes (see below)	Comments				
										Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)					
BRC1051	638149	697140	971	270	-60	120								No significant intercept				
BRC1056	638165	697108	994	270	-56	46	0	9	9	0.03	0.01	1.25	0.88	CR				
BRC1057	638174	697137	990	270	-60	36	7	36	29	0.02	0.02	2.00	11.76					
							10	23	13	0.02	0.03	3.00	5.62					
X = Not yet drilled				! = Mineralisation at Base of Hole						NZ = New mineralisation zone!								
~ = Hole underway				CI = Confirms geological interpretation						UR = Upgrades Resource								
* = Assays not received				PCI = Partly confirms geological interp.						CR = Confirms Resource								
? = Data subject to verification				DI = Disproves geological interpretation						DR = Downgrades Resource								

Grid is truncated UTM grid, AIN EL ABD '70. Azimuths are grid azimuths.

Samples are RC chips collected over 1m intervals, riffle split then assayed at Al Amri Laboratory in Jeddah, using fire assay and acid digest, AAS finish

Intersection lengths are calculated downhole, and are presented in this table as weighted averages

Jabal Sayid Diamond Drill Program
Lode 2

Hole ID	Co-ordinates		RL	Azi.	Incl.	Total Depth (m)	Significant Assay Results						Significance of Results						
	Northing	Easting					From (m)	To (m)	Length (m)	Grade				Codes (see below)	Comments				
										Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)						
BDH2024	638505	697740	990	280	-59	485	153	442	289	1.88	0.31	0.43	21.5	UR					
						inc	187	315	128	2.84	0.66	0.67	35.0						
						inc	229	253	24	4.68	3.04	2.07	112.7						
BDH2030	638460	697500	981	90	-67	304	179	247.3	68.3	3.28	0.24	0.41	15.5	UR					
						inc	184.5	195	10.5	6.89	0.81	0.87	32.3						
BDH2033	638578	697475	976	90	-60	287.5	212	231	19	1.68	0.04	0.22	21.2	CR					
							250	267.4	17.35	5.28	0.03	0.93	13.0						
BDH2034	638578	697475	976	90	-51	289.2	231	259	28	3.58	0.02	0.60	7.8	CR					
						inc	231	248	17	5.40	0.02	0.94	11.0						
BDH2035A	638580	697599	976	91	-73	250.1	171.9	203	31.15	2.26	0.08	0.37	10.8	CR					
BDH2036	638460	697440	969	90	-65	428.4	258	356	98	2.41	0.86	0.47	28.0	UR	Thicker than expected intersection				
						inc	279	339	60	3.03	0.33	0.32	23.4						
X = Not yet drilled						! = Mineralisation at Base of Hole						NZ = New mineralisation zone!							
~ = Hole underway						CI = Confirms geological interpretation						UR = Upgrades Resource							
* = Assays not received						PCI = Partly confirms geological interp.						CR = Confirms Resource							
? = Data subject to verification						DI = Disproves geological interpretation						DR = Downgrades Resource							

Grid is truncated UTM grid, AIN EL ABD '70. Azimuths are grid azimuths.

Samples are half HQ diamond core, assayed at Al Amri Laboratory in Jeddah, using fire assay or acid digest, AAS finish

Intersection lengths are calculated downhole, and are presented in this table as weighted averages

For BDH2024 samples are whole HQ diamond core, assayed at Ammtec Laboratory in Perth, using fire assay or acid digest, AAS finish

Jabal Sayid Diamond Drill Program
Lode 4

Hole ID	Co-ordinates			RL	Azi.	Incl.	Total Depth (m)	Significant Assay Results						Significance of Results						
	Northing	Easting						From (m)	To (m)	Length (m)	Grade				Codes (see below)	Comments				
								Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)									
BDH4013	638926	697909.3	975	182	-81		656	132	483	351	1.72	0.06	0.20	5.4	UR	Drilled fro met samples				
						inc		138	202	64	2.27	0.12	0.51	14.1						
						inc		342	376	34	3.11	0.07	0.29	2.8						
BDH4016	638842	697654	971	90	-75		665	336	362	26	0.39	4.50	1.13	21.0	UR	Ends in mineralisation				
								362	664	302	2.66	0.09	0.17	10.5						
						inc		365	385	20	3.57	0.17	0.49	8.5						
BDH4017	638900	697950	977	272	-77	272.05	166	271	105	105	1.14	0.11	0.29	9.8	UR	Ends in mineralisation				
						inc		166	178	12	2.14	0.10	0.95	33.9						
						inc		255	271	16	1.99	0.04	0.27	5.4						
BDH4018	638900	697950	977	85	-87	430.85									CR	No significant assay				
BDH4019	638900	697950	975	267	-61	365.3	198	218	20	198	1.89	1.42	0.40	27.8	CR					
						inc		136	151	15	1.13	0.11	2.45	73.1						
								250.5	289	38.5	0.65	5.98	3.26	143.8						
						inc		250.5	272	21.5	0.75	3.44	4.78	109.1						
BDH4022	638900	697950	975	270	-71	290.05	131	149	18	131	0.34	0.20	0.74	20.3	UR					
								214	289	75	2.36	0.46	0.30	13.6						
						inc		241	289	48	3.11	0.47	0.38	16.4		Ends in mineralisation				
BDH4024	638884.3	698035	973	266	-83	620.3									CR	No significant assay				
X = Not yet drilled								! = Mineralisation at Base of Hole						NZ = New mineralisation zone!						
~ = Hole underway								CI = Confirms geological interpretation						UR = Upgrades Resource						
* = Assays not received								PCI = Partly confirms geological interp.						CR = Confirms Resource						
? = Data subject to verification								DI = Disproves geological interpretation						DR = Downgrades Resource						

Grid is truncated UTM grid, AIN EL ABD '70. Azimuths are grid azimuths.

Samples are half HQ diamond core, assayed at Al Amri Laboratory in Jeddah, using fire assay or acid digest, AAS finish

Intersection lengths are calculated downhole



ATTACHMENT 2

TABLE 7 QUARTERLY DRILLING RESULTS FOR JABAL SHAYBAN

CITADEL
Resource Group
www.citadelrg.com.au

ABN: 92 009 727 959

Phone: +61 2 9299 9580

Address: Level 6, 50 Clarence St, Sydney, NSW 2000

Post: GPO Box 4493 Sydney, NSW 2001

Email: robert.lees@citadelrg.com.au

Hole ID	North (local)	East (local)	Azi (Local)	Dip	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
<i>SH041RC</i>	5150	969	000	-90	48	61	13	1.11	Pending	Pending	Pending
		<i>Incl.</i>			68	76	8	1.44	Pending	Pending	Pending
					81	100	19	10.66	Pending	Pending	Pending
					84	92	8	23.72	Pending	Pending	Pending
					109	118	9	2.00	Pending	Pending	Pending
<i>SH042RC</i>	5350	992	000	-90	0	4	4	1.14	Pending	Pending	Pending
		<i>Incl.</i>			28	29	1	1.90	Pending	Pending	Pending
					42	49	7	2.38	Pending	Pending	Pending
					56	57	1	1.82	Pending	Pending	Pending
					63	67	4	0.92	Pending	Pending	Pending
					77	99	22	1.12	Pending	Pending	Pending
<i>SH043RC</i>	5375	957	000	-90	0	10	10	1.09	Pending	Pending	Pending
		<i>Incl.</i>			39	74	35	6.16	Pending	Pending	Pending
					53	67	14	11.97	Pending	Pending	Pending
					79	86	7	2.49	Pending	Pending	Pending
<i>SH044RC</i>	5300	977	000	-90	10	11	1	1.47	Pending	Pending	Pending
		<i>Incl.</i>			20	27	7	10.05	Pending	Pending	Pending
					30	49	19	2.71	Pending	Pending	Pending
					54	60	6	1.62	Pending	Pending	Pending
					66	89	23	1.27	Pending	Pending	Pending
<i>SH045RC</i>	5425	960	000	-90	19	26	7	1.34	Pending	Pending	Pending
		<i>Incl.</i>			30	38	18	2.65	Pending	Pending	Pending
<i>SH046RC</i>	5470	985	000	-90	0	20	20	1.04	Pending	Pending	Pending
<i>SH047RC</i>	5450	976	000	-90	0	9	9	6.42	Pending	Pending	Pending
		<i>Incl.</i>			14	24	10	1.27	Pending	Pending	Pending
					30	40	10	1.81	Pending	Pending	Pending
					42	47	5	0.93	Pending	Pending	Pending
<i>SH048RC</i>	5450	1000	000	-90	15	46	31	6.89	Pending	Pending	Pending
		<i>Incl.</i>			17	33	16	10.13	Pending	Pending	Pending
<i>SH049RC</i>	5425	998	000	-90	14	42 _(EOH)	28	14.17	Pending	Pending	Pending
<i>SH050RC</i>	5450	942	000	-90	0	39	39	1.41	Pending	Pending	Pending

Hole ID	North (local)	East (local)	Azi (Local)	Dip	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
SH051RC	5425	972 <i>Incl.</i>	000	-90	0	42	42	4.59	Pending	Pending	Pending
					1	10	9	12.67	Pending	Pending	Pending
					51	57	6	1.03	Pending	Pending	Pending
SH052RC	5425	985 <i>Incl.</i>	000	-90	0	41 _(EOH)	41	22.75	Pending	Pending	Pending
					22	38	16	50.71	Pending	Pending	Pending
SH053RC	5400	949	000	-90	0	4	4	1.73	Pending	Pending	Pending
					21	62	41	2.68	Pending	Pending	Pending
SH054RC	5375	990	090	-60	0	2	2	1.14	Pending	Pending	Pending
					17	19	2	1.46	Pending	Pending	Pending
					25	26	1	1.20	Pending	Pending	Pending
SH055RC	5400	992	090	-60	88	90 _(EOH)	2	0.61	Pending	Pending	Pending
SH056RC	5425	892	090	-60	22	29	7	8.51	Pending	Pending	Pending
					64	68	4	1.96	Pending	Pending	Pending
					81	82	1	1.31	Pending	Pending	Pending
SH057RC	5350	977	270	-60	0	25	25	3.72	Pending	Pending	Pending
					41	51	10	24.04	Pending	Pending	Pending
					61	67	6	1.59	Pending	Pending	Pending
					75	78	3	3.28	Pending	Pending	Pending
SH059RC	5325	978	090	-60	8	12	4	0.85	Pending	Pending	Pending
					17	23	5	0.88	Pending	Pending	Pending
					50	52	2	1.39	Pending	Pending	Pending
					56	57	1	2.18	Pending	Pending	Pending
SH060RC	5175	956	270	-60	34	38	4	0.83	Pending	Pending	Pending
SH061RC	5125	973	090	-60	20	42	22	3.16	Pending	Pending	Pending
					59	65	6	2.00	Pending	Pending	Pending
SH062RC	5175	956	090	-80	10	57	47	1.94	Pending	Pending	Pending
					65	74	9	2.48	Pending	Pending	Pending
					80	87	7	2.72	Pending	Pending	Pending
SH063RC	5375	936	0	-90	3	26	23	4.19	Pending	Pending	Pending
					48	74	26	1.09	Pending	Pending	Pending
SH064RC	5400	992	0	-90	42	49	7	3.36	Pending	Pending	Pending
					75	82	7	1.33	Pending	Pending	Pending
SH065RC	5475	1000	270	-60	4	20	16	5.92	Pending	Pending	Pending
					33	43	10	1.71	Pending	Pending	Pending
SH066RC	5475	1000	0	-90	12	44	32	3.96	Pending	Pending	Pending

-----END-----

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Citadel Resource Group Limited

ABN

92 007 727 959

Quarter ended (“current quarter”)

31 December 2008

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration (e) other working capital	(4,155)	(7,182)
1.3	Dividends received	(272)	(1,378)
1.4	Interest and other items of a similar nature received	471	750
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(3,956)	(7,810)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(2,000)	(2,000)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	(224)	(298)
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	(14)
Net investing cash flows		(2,224)	(2,312)
1.13	Total operating and investing cash flows (carried forward)	(6,180)	(10,122)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(6,180)	(10,122)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Partly Paid Shares)	130	624
	Net financing cash flows	130	624
	Net increase (decrease) in cash held	(6,050)	(9,498)
1.20	Cash at beginning of quarter/year to date	25,288	27,981
1.21	Exchange rate adjustments to item 1.20	1,003	1,758
1.22	Cash at end of quarter	20,241	20,241

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

Current quarter \$A'000
62
nil

- 1.23 Aggregate amount of payments to the parties included in item 1.2
 1.24 Aggregate amount of loans to the parties included in item 1.10

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

• Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	nil	nil
3.2 Credit standby arrangements	nil	nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,900
4.2 Development	-
Total	4,900

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,736	5,467
5.2 Deposits at call	14,505	19,821
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	20,241	25,288

⁺ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	Jabal Sayid EL Increasing to 50% Per January 2008 agreement (subject to shareholder approval at 26 Nov 08 AGM)	35%	50%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities (description)	nil	nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	1,129,016,647 36,968,560 2,000,000	730,675,347 30,713,571	Fully paid Contributing \$0.20 Contributing \$0.20	Fully paid Paid to \$0.1625 Paid to \$0.0875
7.4	Changes during quarter (a) Increases through issues (b) Increase through conversion of Partly Paid Shares (c) Decreases through returns of capital, buy-backs	224,236,513 4,400,000	224,236,513 4,400,000	14.576 cents per share 3.75 cents per share	Fully paid ordinary Fully paid Ordinary
7.5	+Convertible debt securities	nil	nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	nil	nil		
7.7	Options	10,287,019 41,500,000 10,000,000	nil nil nil	Exercise price 20 cents 20 cents 35 cents	Expiry date 31 December 2009 31 December 2010 1 August 2013
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				

⁺ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

7.12	Unsecured notes <i>(totals only)</i>		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date:21 January 2009.....
(Company secretary)

Print name: Robert Lees.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.