



Water Supply Agreement

Citadel Resource Group is pleased to announce further developments in the Jabal Sayid Project. Citadel's Saudi Joint Venture Company, Bariq Mining Ltd, today signed a Memorandum of Understanding with the National Water Company (NWC) of Saudi Arabia for the supply of water for operations at the Jabal Sayid project. The NWC is a semi-autonomous government body charged with the responsibility of privatizing production and distribution of waste water in the Kingdom of Saudi Arabia.

The MOU provides for the NWC to supply up to 5,000 cubic metres of water per day to Bariq, approximately twice the volume required in the early years of mine operations, thus allowing considerable provision for future expansion. The water will be supplied from the Madinah waste water treatment plant and is very suitable for mining operations. Metallurgical testwork using this water has been performed with excellent results. A scoping study is currently underway for the construction of a 200 kilometre pipeline from Madinah to Jabal Sayid. Subject to the outcome of this scoping study, a pipeline is expected to provide a cost effective method of transporting water to site. Commissioning and early operations will use a fully constructed and sealed highway system to transport the water to site.

The MOU will be ratified as a Commercial Agreement upon the grant of the Jabal Sayid Exploitation License (mining license). Bariq Mining has been notified that the meeting of the Ministry of Petroleum and Mineral Resources will occur in August for the final review and assessment of the Exploitation License. The Company has been working with the Ministry and is looking forward to a successful outcome.

Upon grant of the Exploitation License and subject to Citadel's Board approval, orders for long lead equipment will be placed and the first round of Saudi trainees will be hired. Approximately 20 high school graduates from the Al Mahd area will be hired as trainees and will undergo formal and on the job training over the next two years.

This is the first agreement on such a scale to be entered into in Saudi, and is indicative of the considerable support the Saudi government is providing to the development of the local mining industry.

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