

Citadel Resource Group Limited

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of shareholders of **Citadel Resource Group Limited ABN 92 009 727 959 ("Company")** will be held at the Westin Room III, The Westin Melbourne, 205 Collins St. on Friday 27 November 2009 at 3.30pm.

Agenda

Ordinary business

Financial Reports

To receive and consider the Company's Annual Report comprising 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 2009.

1. Remuneration report

To consider and, if thought fit, pass the following Advisory Resolution:

"That, the Remuneration Report for the year ended 30 June 2009 (as set out in the Directors' Report) is adopted."

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

2. Re-election of Ralph Stagg as a Director

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

"That Ralph Stagg, who retires by rotation in accordance with Rule 38.6 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

3. Election of Peter Lester as a Director

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

"That Peter Lester, who was appointed as an additional Director subsequent to the last 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. Issue of Options to Director

To consider and, if thought fit, pass the following as an Ordinary Resolution of the Company:

"That for the purposes of Listing Rule 10.11 of the ASX Listing Rules (**Listing Rules**) and for all other purposes the Company be authorised to issue to David Regan, a Director of the Company, 1,000,000 Options exercisable at 30 cents in four equal tranches of 250,000 Options as follows:

- Tranche 1 when the average of the daily volume weighted average sale prices (rounded to the nearest full cent) (**VWAP**) of fully paid ordinary shares in the Company sold on ASX for 10 consecutive trading days equals or exceeds \$0.35;
- Tranche 2 when the VWAP of fully paid ordinary shares in the Company sold on ASX for 10 consecutive trading days equals or exceeds \$0.45;
- Tranche 3 when the VWAP of fully paid ordinary shares in the Company sold on ASX for 10 consecutive trading days equals or exceeds \$0.55; and
- Tranche 4 when the VWAP of fully paid ordinary shares in the Company sold on ASX for 10 consecutive trading days equals or exceeds \$0.65,

on the terms and conditions described in the Explanatory Memorandum."

Voting exclusion statement

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

- David Regan;
- any associate of David Regan.

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. Ratification of issue of Shares under Listing Rule 7.4

To consider and, if thought fit, pass the following as an Ordinary Resolution of the Company:

"That in accordance with Listing Rule 7.4, shareholders ratify the issue on 28 August 2009 of 72,641,018 fully paid ordinary shares issued approximately 34.42 cents per share to Transaminvest SA (**Allottee**)."

Voting exclusion statement

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

- the Allottee;
- any associate of an Allottee.

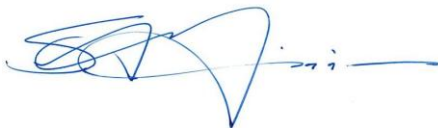
However, the Company need not disregard a vote if:

- 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

26 October 2009

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 Room III, The Westin Melbourne, 205 Collins St. on Friday 27 November 2009 at 3.30pm.

The Directors recommend shareholders read the accompanying 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 8.

2. Consider the Company's Annual Report

The Company's Annual Report comprising 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 2009 were despatched to shareholders and released to the ASX Limited on 26 October 2009. The Company's Annual Report is placed before the shareholders for discussion. No voting is required for this item.

3. Resolution 1 - Remuneration Report

The Board has submitted 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 Annual Report. The 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 discussion of 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 of the Company.

Explanatory Memorandum

Resolution 2 - Re-election of Ralph Stagg as a Director

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

Appointed a Director on 28 November 2007, Mr Stagg is a Geologist (BSc, MSc, DIC, FAusIMM, MIMMM) with over 35 years experience in all facets of gold and base metals exploration and development. He has had extensive experience in Australasia, Africa and the Middle East with international companies such as Cominco, Falconbridge and Pennzoil (Battle Mountain). Mr Stagg has in the past gained considerable experience serving on the boards of ASX listed companies. He is a member of the Audit, Business Risk and Compliance Committee.

The Directors (with Mr Stagg abstaining) recommend that you vote in favour of this Ordinary Resolution.

4. Resolution 3 - Election of Peter Lester as a Director

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

Peter Lester was appointed as a Director on 1 October 2009. Mr Lester is a mining engineer with over 30 years experience with companies such as Mt Isa Mines, North, Newcrest and most recently as Executive General Manager – Corporate Development for OZ Minerals Ltd. Mr Lester has extensive practical and corporate experience in mining engineering, underground mining and operations, as well as investor relations and business development, including, strategic planning, mergers and acquisitions and takeover defence. Mr Lester has joined the Board as an Executive Director with responsibility for mining, strategy, investor relations, business development and defence.

The Directors (with Mr Lester abstaining) recommend that you vote in favour of this Ordinary Resolution.

5. Resolution 4 - Issue of Options to Director

Introduction

Mr David Regan was appointed as a Director of the Company effective 18 December 2007. Mr Regan's terms of appointment as outlined in his letter of appointment with the Company dated 8 December 2007 (**Letter of Appointment**) required the Company to arrange for a meeting of its members to be held to approve the issue to Mr Regan of 1,000,000 Options exercisable at 30 cents in four equal tranches of 250,000 Options as follows:

- Tranche 1 when the average of the daily volume weighted average sale prices (rounded to the nearest full cent) (**VWAP**) of fully paid ordinary shares in the Company sold on ASX for 10 consecutive trading days equals or exceeds \$0.35;
- Tranche 2 when the VWAP of fully paid ordinary shares in the Company sold on ASX for 10 consecutive trading days equals or exceeds \$0.45;
- Tranche 3 when the VWAP of fully paid ordinary shares in the Company sold on ASX for 10 consecutive trading days equals or exceeds \$0.55; and

Explanatory Memorandum

- Tranche 4 when the VWAP of fully paid ordinary shares in the Company sold on ASX for 10 consecutive trading days equals or exceeds \$0.65,

The Company inadvertently omitted to put this matter before the 2008 Annual General Meeting for approval as it was required to do under the Letter of Appointment and the Options have not yet been issued to Mr Regan. As the Options were agreed as part of Mr Regan's reasonable compensation as a Director, the Company is now seeking to obtain shareholder approval for the issue of the Options in accordance with its obligations under the Letter of Appointment.

Regulatory Requirements

Listing Rule 10.11

Listing Rule 10.11 prohibits a listed company, except in certain cases, from issuing equity securities to a related party without the approval of the holders of ordinary securities. A Director is included in the definition of related party. Accordingly, the Directors are seeking shareholder approval to the issue of the Options to Mr Regan in accordance with Listing Rule 10.11.

Listing Rule 10.13 requires the Notice of Meeting to include the following information:

- (a) the name of the allottee is David Regan;
- (b) the maximum number of securities to be issued is 1,000,000 options;
- (c) the securities are to be issued within 1 month after the date of the Meeting;
- (d) David Regan is a Director;
- (e) the options are issued for no consideration and are exercisable at 30 cents per option on the terms set out above;
- (f) David Regan and any of his associates will be excluded from voting on this Resolution; and
- (g) the funds raised will be used for working capital purposes.

6. Resolution 5 - Ratification of issue of shares under Listing Rule 7.4

Introduction

On 28 August 2009 the Company issued 72,641,018 fully paid Shares for a total consideration of \$25,000,000 (approximately 34.42 cents per Share) to Transaminvest SA pursuant to the terms of a Subscription Agreement entered into between the Company and Transaminvest SA dated 19 August 2009.

The Company is seeking shareholder ratification of the above Share issue under Listing Rule 7.4.

Regulatory Requirements

Listing Rule 7.4 provides that an issue of shares made within the 15% Rule under Listing Rule 7.1 will subsequently be treated as having been made with the required approval for the purposes of Listing Rule 7.1 where:

- (a) The issue did not breach the 15% Rule under Listing Rule 7.1; and
- (b) The shareholders subsequently approve the issue.

Shareholder ratification is therefore being sought for the issue of the identified Shares under Listing Rule 7.4. The effect of the shareholders approving the issue of these additional Shares will be that the issue will no longer be counted as part of the 15% Rule, and the Company will retain a greater proportion of the 15% Rule for any subsequent requirements that may arise.

Listing Rule 7.5 requires the notice of meeting to include the following information:

- (a) 72,641,018 fully paid Shares were allotted (**Allotted Shares**).
- (b) The Allotted Shares were issued at approximately 34.42 cents each.
- (c) The Allotted Shares are ordinary fully paid shares and are on the same terms and rank equally with other fully paid Shares on issue.
- (d) The Allotted Shares are subject to a voluntary escrow until 27 April 2010, to be released upon an earlier Board recommended takeover offer for Citadel or sale of the Jabal Sayid Project.
- (e) Allottee for the Allotted Shares was Transaminvest SA, being an exempt investor contemplated under Section 708 of the Corporations Act.
- (f) The funds were raised to supply working capital to continue existing operations.

Each of the Directors unanimously recommends that shareholders vote in favour of the resolution.

Explanatory Memorandum

Definitions

ASX - The Australian Securities Exchange.

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

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

Directors - The Board of Directors of the Company from time to time.

Explanatory Memorandum - This explanatory memorandum accompanying this Notice.

Extraordinary General Meeting or **Meeting** - The Extraordinary General Meeting of shareholders convened by the Directors and detailed in the Notice of Meeting, or any adjournment thereof.

Listing Rules - The listing rules of the ASX.

Notice of Meeting or **Notice** - The Notice of Meeting giving notice to shareholders of the Extraordinary General Meeting, accompanying this Explanatory Memorandum.

Ordinary Resolution - A Resolution passed by more than 50% of the votes at a General Meeting of shareholders.

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

Shareholder - A registered holder of at least one share.

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

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Telephone: +61 (03) 8680 4616