

# ASX Release

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## Citadel Announces Entitlement Offer

21 June 2010

Citadel Resource Group Limited (ASX:CGG) (**Citadel** or the **Company**) today launched an accelerated pro rata non-renounceable entitlement offer of fully paid ordinary shares in Citadel (**Entitlement Offer**) of up to A\$250 million from the Institutional portion of the Entitlement Offer. Funds raised from the Entitlement Offer will be primarily applied to the ongoing development of the Company's Jabal Sayid copper and gold project in Saudi Arabia (**Jabal Sayid project**).

### Entitlement Offer

Eligible shareholders will be invited to subscribe for 3 new Citadel ordinary shares (**New Shares**) for every existing 4 Citadel ordinary shares held as at 7.00pm (AEST) on 24 June 2010 (**Record Date**). The offer price of A\$0.29 per New Share represents a 10.8% discount to the last traded price on 18 June 2010 of A\$0.325 and a 6.5% discount to the theoretical ex-rights price. New Shares will rank equally with existing full paid ordinary shares in Citadel from allotment.

The Entitlement Offer comprises:

- An entitlement offer to institutional shareholders and investors (**Institutional Entitlement Offer**) to be completed by Tuesday 22 June 2010, to raise up to A\$250 million; and
- An entitlement offer to eligible retail shareholders (**Retail Entitlement Offer**).

As the Retail Entitlement Offer is not underwritten and the Company does not have an indication of likely take-up of that Offer, the final amount to be raised by the Retail Entitlement Offer will be announced on close of that Offer.

Petra Capital Pty Ltd and Morgan Stanley Australia Securities Limited have agreed to act as joint lead managers for the Entitlement Offer. Citadel is being advised in relation to the equity raising by Gryphon Partners Advisory Pty Ltd (financial advisor). The Entitlement Offer is not underwritten.

### **Institutional Entitlement Offer**

Existing institutional shareholders will be invited to participate in the Institutional Entitlement Offer. The Institutional Entitlement Offer will open today (21 June 2010) and is anticipated to close at 5:00pm (AEST) on 22 June 2010.

Eligible institutional shareholders can choose to take up their entitlement in whole, in part, or not at all. In addition, under the Institutional Entitlement Offer, entitlements not taken up by eligible institutional shareholders, together with entitlements which would otherwise have been offered to ineligible institutional shareholders, will be offered to eligible institutional shareholders who apply for New Shares in excess of their entitlement, and to certain other eligible institutional investors.

Existing Citadel substantial shareholder Abdul Hadi Al Qahtani and Partners Maritime and Oilfield Services Limited (**AQM**) has indicated that it does not intend to take up its entitlement in the Entitlement Offer. Substantial shareholder and CEO of Citadel, Inés Scotland has indicated that she intends to take \$500,000 worth of her entitlements in the Entitlement Offer and substantial shareholder and Non-Executive Director of Citadel, Ralph Stagg does not intend to take up his entitlements in the Entitlement Offer. The balance of Inés Scotland's entitlements and the entitlements of AQM and Ralph Stagg will be offered to participating institutional shareholders and certain other institutional investors under the Institutional Entitlement Offer.

Citadel expects to announce the results of the Institutional Entitlement Offer to the market prior to the commencement of trading on Wednesday, 23 June 2010.

### **Retail Entitlement Offer**

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open on 29 June 2010 and is expected to close at 5:00pm (AEST) on 19 July 2010.

Eligible retail shareholders can choose to take up their entitlements in whole, in part, or not at all. Eligible retail shareholders who take up their entitlement in full may also apply for New Shares in excess of their Entitlement ("Additional New Shares"), however, there is no guarantee that any Additional New Shares will be available. Additional New Shares will only be available to be allocated to Eligible Retail Shareholders where there are sufficient New Shares from eligible retail shareholders who do not take up their full Entitlement and New Shares that would have been offered to ineligible retail shareholders if they had been entitled to participate in the Retail Entitlement Offer, subject to any allocation policy and scale-back that Citadel may apply.

The Retail Entitlement Offer Booklet will be sent to eligible retail shareholders by 29 June 2010 and be made available on Citadel's website [www.citadelrg.com.au](http://www.citadelrg.com.au). Eligible retail shareholders wishing to acquire New Shares under the Retail Entitlement Offer will need to complete, or otherwise apply in accordance with, the personalised Entitlement and Acceptance Form that will accompany the Retail Entitlement Offer Booklet.

All dates are indicative only and subject to change. Citadel reserves the right to amend the timetable including to extend the closing date for the Retail Entitlement Offer, and to accept late applications either generally or in specific cases.

### **Proposed Use of Proceeds**

The proceeds of the Entitlement Offer will be applied towards:

- The equity component of the funding required to develop the Jabal Sayid project prior to debt drawdown; and
- Citadel's corporate costs, project evaluation and exploration.

Subject to the level of take-up of the Retail Entitlement Offer, various funding options will be reviewed in due course to cover any residual equity required to take Jabal Sayid to completion, and for additional project evaluation (Lode 1 expansion studies) and exploration.

### **Jabal Sayid Copper Gold Project Update**

Jabal Sayid is Citadel's flagship asset and is one of the world's premier copper-gold mine development projects.

Bariq Mining Limited (**Bariq**) is the holder of the exploitation (mining) licence which covers the Jabal Sayid project (**Mining Licence**). The Mining Licence has a 30 year term and does not require any payment of royalties to the Saudi Arabian Government.

On 21 June 2010, Citadel announced it had reached agreement to increase its equity interest in Bariq to 70%, the consideration for which will be Citadel funding its joint venture partner's 30% share of equity contributions to project capital prior to draw down of debt funding.

This acquisition is subject to the approval of Citadel shareholders at an Extraordinary General Meeting to be held on a date to be advised.

Development of the project is continuing with key activities including:

- mobilization of the EPCM contractor;
- works associated with the mining contract for the decline rehabilitation and start of the main underground contract;
- contracts signed and orders placed for long lead items, including Mills, Flotation Cells and Filter Press, with other equipment and service contracts negotiated and ready for signing;
- mine optimization, which is well advanced with stope production planned to commence several months earlier than plant commissioning to allow for mine ramp up and ROM stockpile building; and
- recruitment of key personnel.

## Stock Lending and Other Transactions

Citadel expects to be granted a waiver by ASX so that, in determining shareholder entitlements for the Entitlement Offer, it may ignore any changes in shareholdings that occur after the commencement of the trading halt in shares that commenced on 21 June 2010 (other than registrations of transactions that were effected through ITS before that halt).

Accordingly, a person who is a registered Citadel shareholder at the Record Date as a result of a dealing after the commencement of the trading halt in shares that commenced on 21 June 2010 (other than registrations of transactions that were effected through ITS before that halt) may not be entitled to receive an entitlement under the Entitlement Offer.

In the event that a Citadel shareholder has existing Citadel shares out on loan at the Record Date, the borrower will be regarded as the shareholder for the purposes of determining the entitlement (provided that those borrowed securities have not been on-sold or used to cover a short sale).

## Further Details

Further Details of the Entitlement Offer, including details of the timetable and key risks of the Entitlement Offer, are contained in the Investor Presentation released today to ASX and which will be posted on the Citadel website ([www.citadelrg.com.au](http://www.citadelrg.com.au)). A Retail Offer Booklet, including the Investor Presentation, will be mailed to eligible retail shareholders on 29 June 2010.

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