FORM 51-102F3

MATERIAL CHANGE REPORT

1. *Name and Address of Reporting Issuer:*

Citadel Gold Mines Inc.
150 Signet Drive
Weston, Ontario M9L 1T9

2. *Date of Material Change:*

October 11, 2007

3. *News Release:*

A press release was issued on October 11, 2007 and disseminated across Canada by Canada NewsWire and filed on SEDAR.

4. *Summary of Material Change:*

Citadel Gold Mines Inc. announces that it plans to complete a non-brokered private placement (the "Private Placement") of a combination of common shares and flow-through common shares to Dr. Bernard Sherman, a principal shareholder and related party to the Company.

The Private Placement will be for 4,250,000 common shares at a price of $0.08 and for 1,454,545 flow-through common shares at a price of $0.11, for aggregate proceeds to Citadel of approximately $500,000. Upon completion of the Private Placement, Dr. Sherman will control, directly and indirectly, approximately 55% of the Corporation.

The terms of the Private Placement were negotiated between Dr. Sherman and a special committee of Citadel's board of directors (the "Special Committee"), consisting solely of independent directors and formed for the purpose of considering the Private Placement. In determining the terms of the Private Placement, the Special Committee received independent advice and a fairness opinion from Research Capital Corporation in respect of the transaction.

5. *Full Description of Material Change:*

A full description of the material change is set forth in the press release attached hereto.

6. *Reliance on subsection 7.1(2) or (3) of National Instrument 51-102:*

Not applicable.

7. *Omitted Information:*

None.

8. *Executive Officer:*

For further information, please contact John Sadowski, President, phone: (416) 675-8464

9. *Date of Report:*

October 16, 2007

TORONTO, October 11, 2007/CNW/ - CITADEL GOLD MINES INC. (CGM.H: NEX Exchange).

Citadel Gold Mines Inc. announces that it plans to complete a non-brokered private placement (the "Private Placement") of a combination of common shares and flow-through common shares to Dr. Bernard Sherman, a principal shareholder and related party to the Company.

The Private Placement will be for 4,250,000 common shares at a price of $0.08 and for 1,454,545 flow-through common shares at a price of $0.11, for aggregate proceeds to Citadel of approximately $500,000. Upon completion of the Private Placement, Dr. Sherman will control, directly and indirectly, approximately 55% of the Corporation.

The terms of the Private Placement were negotiated between Dr. Sherman and a special committee of Citadel's board of directors (the "Special Committee"), consisting solely of independent directors and formed for the purpose of considering the Private Placement. In determining the terms of the Private Placement, the Special Committee received independent advice and a fairness opinion from Research Capital Corporation in respect of the transaction.

"We are pleased by Dr. Sherman's vote of confidence in the Company and its future prospects," said John Sadowski, President, Secretary and Treasurer of Citadel. "This financing will add to our working capital and allow us to continue our exploration and development work on our joint venture property near Sudbury, Ontario and on other properties of merit presently being considered. We are very excited about Citadel's prospects and appreciate our shareholders' faith in the Company."

Subject to receipt of NEX Exchange approval, it is expected that the Private Placement will be completed on or before November 6, 2007.

For further information contact: John Sadowski
President
Citadel Gold Mines Inc.
Telephone: 416.675.8379

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