

17 June 2014

ASX Announcement

Atzam #5 Update – Logs Confirm Significant Production Potential

Highlights

- Schlumberger log evaluation confirms multiple potential pay zones in Atzam #5
- Estimate of +200 feet of potential net pay in carbonate sections drilled
- First phase of Atzam #5 flow testing continues on lower C18 carbonates in open hole section
- Preparations advanced to perforate lower C18 carbonate section with Schlumberger, operations to commence this week
- Updated Independent reserves report on the Atzam Field and the Atzam #5 well underway with Ralph Davis, Houston
- Atzam #5 well successfully drilled to 4,025 feet (cased to 3,600 feet), high on structure to the producing Atzam #4 well (~66 feet) and Atzam #2 (~320 feet)
- Atzam #4 daily production at approximately 165 barrels per day throughout May and June

Atzam #5 Well – Logs Confirm Production Potential, Flow Testing Operations Continue

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) is pleased to advise the electric log analysis by Schlumberger has confirmed the significant commercial potential of the Atzam #5 well. The log evaluation shows potential net pay in excess of 200 feet across all carbonate zones in the well, with multiple zones demonstrating high gas saturations and porosity. The logs analysis, combined with the significant oil shows from multiple zones whilst drilling, detail the commercial potential in the well from the C13 carbonates down to the lower C18 carbonate structures drilled.

Review of the Atzam #5 log data confirms the well has very similar reservoir characteristics to the Atzam #4 well. The full Schlumberger log dataset and associated drilling reports have been provided to the independent reservoir consultants Ralph Davis, who are currently preparing a detailed reserve report for the Atzam #5 well. The Atzam #5 log data also helps confirm the extension of multiple carbonate reservoir sections across the Atzam structure drilled to date.

The first phase of flow testing operations is continuing on the lower C18 carbonates in the open hole section in the Atzam #5 well, which was successfully drilled to a total depth of 4,025 feet and generated significant oil shows to surface whilst drilling. The flow testing of the lower C18 carbonates in the open hole section below the casing at 3,600 feet is only the first phase of the planned operations, which may include testing many potential pay zones from the C13 to C18 carbonates as prioritised by the log evaluation to establish a strong commercial flow rate from the well.

The initial flow testing operations were conducted as an open hole test of the lower C18 and C19 carbonates from below the final casing point at 3,600 feet. Due to the well intersecting a major salt plug between the lower C18 and C19 carbonates, cement plugs were recently laid in the base of the well to seal off the salt lens. As the C19 carbonates in Atzam #5 are located below the cement plugs, this section will be tested from a different location as part of the ongoing development of the Atzam Field.

Independent Atzam #5 Reserves Report

Following completion of the drilling operations at Atzam #5, the Operator ran a full suite of electric logs from the first carbonate sections intersected down to the well's total depth of 4,025 feet. Leading global oilfield services firm Schlumberger has completed its independent review of the electric logs run across all carbonate sections in Atzam #5. The full suite of logging data and reports from Schlumberger have been passed onto Ralph Davis who are completing a reserve report on the Atzam #5 well and on the Atzam Field.

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Atzam #5 drilling success indicates upside potential

The Atzam #5 well being drilled close to the structural high of the Atzam Oil Field was confirmed through the intersected depths of primary reservoir sections in drilling operations. On completion of the Atzam #5 well at its TD is running approximately 66 feet high on structure to the Atzam #4 well and approximately 320 feet high to the Atzam #2 well. The Atzam #4 well was previously expected to be sitting on the crest of the Atzam structure and the Atzam #2 well recorded initial flow rates of in excess of 1,000 bopd from the primary C18/19 carbonate sections.

Issue of Shares and Options

As announced on 19 May 2014, the Company will issue 65,000,000 fully paid ordinary shares as part of Citation's long term incentive and retention program for key personnel related to the successful development of the Atzam and Tortugas oil projects in Guatemala. The Company has also issued 8,750,000 unlisted options (\$0.015, 3 year expiry) as part of its recent debt facility (with issue of the remaining 57,250,000 unlisted options subject to shareholder approval at the Company's next General meeting).

An Appendix 3B is attached.

Notice under Section 708A(5)(e) of the Corporations Act

The Company advises that the Corporations Act restricts the on-sale of securities issued without disclosure, unless the sale is exempt under section 708 or 708A. By the Company giving this notice, a sale of the securities will fall within the exemption in section 708A(5) of the Act.

The Company hereby notifies ASX under paragraph 708A(5)(e) of the Act that:

1. the Company issued the securities without disclosure to investors under Part 6D.2 of the Act;
2. as at the date of this notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company, and section 674 of the Act; and
3. as at the date of this notice, there is no information that is excluded information under section 708A(7) and (8) of the Act that has not already been disclosed to investors generally.

For and on behalf of the Board



Brett Mitchell
Executive Director

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

Citation Resources Ltd

ABN

90 118 710 508

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Fully Paid Ordinary Shares
Unlisted Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1. 65,000,000 Fully Paid Ordinary Shares
2. 8,750,000 Unlisted Options |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | 1. Fully Paid Ordinary Shares
2. 8,750,000 Unlisted Options (exercisable at \$0.015, on or before 17 June 2017) |

+ See chapter 19 for defined terms.

4	<p>Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>1. Yes</p> <p>2. Shares issued upon exercise of Unlisted Options will rank equally in all respects to Fully Paid Ordinary Shares</p>
5	Issue price or consideration	Nil
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	As announced by the Company on 19 May 2014, issue of shares for long term incentive and development programs relating to the successful development of the Atzam and Tortugas oil projects, and issue of options pursuant to the Company's debt facility arrangements.
6a	<p>Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the ⁺securities the subject of this Appendix 3B, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	28 November 2013
6c	Number of ⁺ securities issued without security holder approval under rule 7.1	73,750,000
6d	Number of ⁺ securities issued with security holder approval under rule 7.1A	Nil

⁺ See chapter 19 for defined terms.

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil	
6f	Number of securities issued under an exception in rule 7.2	Not applicable	
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	Not applicable	
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	See Annexure 1	
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	17 June 2014	
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	Number	+Class
		1,299,665,067	Ordinary Shares
		482,464,750	Options ex \$0.04, exp 15/12/15

+ See chapter 19 for defined terms.

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	8,750,000 Unlisted Options ex \$0.015, exp 17/06/17
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	The Company does not have a dividend policy

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	Not applicable
12	Is the issue renounceable or non-renounceable?	Not applicable
13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable
15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable

+ See chapter 19 for defined terms.

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	Not applicable
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable

⁺ See chapter 19 for defined terms.

- 32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)? Not applicable
- 33 ⁺Despatch date Not applicable

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) ☒ Securities described in Part 1 (Ordinary Shares Only)
- (b) ☐ All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:
Executive Director

Date: 16 June 2014

Print name: BRETT MITCHELL

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	445,056,226
Add the following: <ul style="list-style-type: none"> Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid ordinary securities issued in that 12 month period with shareholder approval Number of partly paid ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	187,222,222 Ordinary Shares (issued 31 July 2013, as approved by shareholders on 10 July 2013) 99,000,000 Ordinary Shares (issued 31 July 2013, ratified by shareholders on 25 September 2013) 300,000,000 Ordinary Shares (issued 19 August 2013, the issue of 50,000,000 shares ratified by shareholders on 25 September 2013) 158,160,487 Ordinary Shares (issued 17 October 2013, approved by shareholders on 25 September 2013)
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	1,189,438,935

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of "A"	
"B"	0.15 <i>[Note: this value cannot be changed]</i>
Multiply "A" by 0.15	178,415,840
Step 3: Calculate "C", the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 <p>Note:</p> <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>41,964,750 Listed Options (issued on 13 February 2014)</p> <p>45,226,132 Ordinary Shares (issued on 4 April 2014)</p> <p>65,000,000 Ordinary Shares (issued on or about 17 June 2014 and the subject of this Appendix 3B)</p> <p>45,226,132 Unlisted Options (\$0.015, 17 June 2017) issued on or about 17 June 2014 and the subject of this Appendix 3B</p>
"C"	160,940,882
Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1	
<p>"A" x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	178,415,840
<p>Subtract "C"</p> <p><i>Note: number must be same as shown in Step 3</i></p>	160,940,882
Total ["A" x 0.15] – "C"	17,474,958 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	1,189,438,935
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	118,943,893
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	118,943,893
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	118,943,893 <i>[Note: this is the remaining placement capacity under rule 7.1A]</i>

+ See chapter 19 for defined terms.