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31 July 2014 ASX Announcement

June 2014 Quarterly Activity Report

- **Atzam #4 produced over 14,400 barrels for the quarter – from a single interval in the C17 carbonates**
- **Atzam #4 continued to produce at strong flow rates on a restricted choke (18/64 inch) from natural reservoir pressure only - no water production to date**
- **Atzam #5 well successfully drilled to 4,025 feet during the quarter (cased to 3,600 feet), high on structure to the producing Atzam #4 well (~66 feet) and Atzam #2 (~320 feet)**
- **Multiple oil and gas shows encountered at surface whilst drilling through carbonate intervals**
- **Schlumberger log analysis confirms multiple potential commercial pay zones from the C13 to the C18 carbonate section**
- **Atzam #5 testing program commenced during the quarter and is ongoing**
- **Log analysis indicates highly fractured potential reservoir sections- fracturing in carbonates provides assistance to flow rates**

Operational Activities
Atzam Oil Project – Drilling Atzam #5

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) successfully completed the drilling of the Atzam #5 well during the quarter at the Company's Atzam Oil Project in Guatemala, and commenced the well testing operations to establish the most commercial production zone in the well. The well was successfully drilled to a total depth of 4,025 feet and encountered multiple potential pay zones, with significant oil shows to surface and fluorescence in the cuttings from drilling through the targeted carbonate sections. The well was cased down to 3,600 feet with the final 425 feet left as a open hole section for testing.

The initial testing operations commenced on the open hole section with the lower C18 and C19 carbonates from below the final casing point at 3,600 feet. The Atzam #5 well intersected a major salt plug between the lower C18 and C19 carbonates which was assessed to compromise the initial flow testing operations. As a result the Operator laid cement plugs in the well bore to seal off the salt lens intersected. Testing then moved to the lower C18 carbonates in Atzam #5 located above the cement plugs in the open hole section, but this section did not produce a strong commercial flow rate.

As a result, the Atzam #5 testing operations recently commenced on the C18 carbonate sections located in the cased section of the well, starting from around 3,500 feet. The Operator is now using a larger 7 inch perforation gun for the remainder of the program, which will enable more of the targeted carbonate sections to be opened up to the wellbore, helping evaluate the true commercial flow rate potential of each zone. The testing program will move up the wellbore to test each prospective section located behind the production casing identified from the detailed log data.

The Schlumberger 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 C18 carbonate structures delineated in the Atzam #5 well. All these potential commercial pay zones will be perforated and tested as part of this ongoing program, until a zone produces at material commercial rates. On success such a zone would then be put on production, like the C17 producing zone in Atzam #4 that continues to produce under natural reservoir pressure at approximately 170 bopd.

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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 the Operator and Ralph Davis to complete independent reports for the Company on the estimated reserves in the Atzam 5 well, and an updated resource report for the Atzam Oil Field. The Atzam 5 reserves report is expected to be received shortly from Ralph Davis and will be released by the Company.

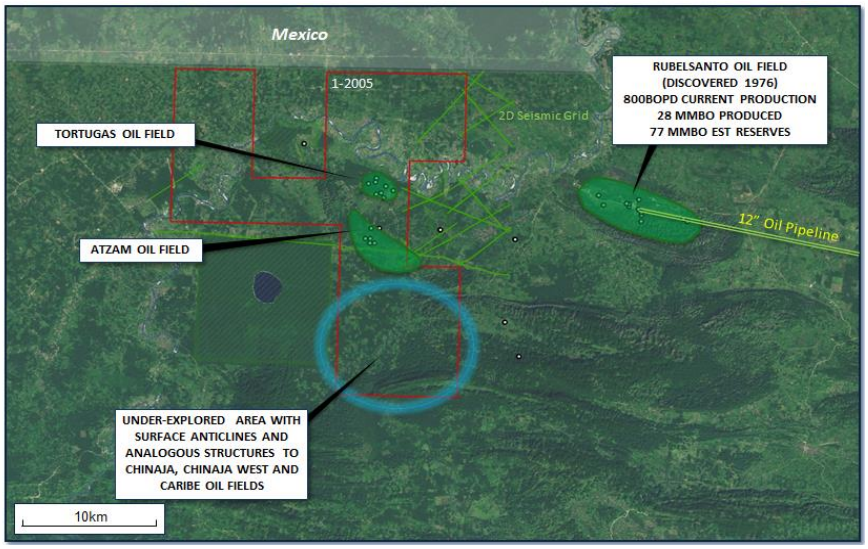
Atzam #5 drilling success indicates upside potential

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.

Tortugas Salt Dome Project

The Company is continuing to advance operational plans with the Operator to commence the 2 initial well re-entries on the Tortugas Salt Dome structure during 2014. Successful well re-entries on these first two planned Tortugas wells, 63-4 and 63-5, are expected to produce between 200-300 bopd each of high quality 34°API oil based on historical flow rates and production profiles. In the mid 80s, two wells flowed oil at initial rates over 1,500 bopd, however were subsequently suspended.

The Tortugas Salt Dome structure is a suspended oil field, with Monsanto having drilled 17 wells on the structure including wells for both sulphur and oil. One of the wells (T9B) experienced an oil blowout at approx. 1,500 feet, with the majority of the other wells having oil shows in multiple zones.



Project Location and Exploration Potential

Corporate Activities

On 7 April 2014 the Company issued 45,226,132 ordinary shares to settle in full the conversion of $450,000 working capital loans which matured 31 March 2014. These loans were provided to the Company prior to its August 2013 capital raising and have been converted to ordinary shares at the election of the Lender on the 31 March maturity date, under the terms of the loan agreements.

As announced on 19 May 2014, the Company will issue 65,000,000 fully paid ordinary shares as part of Citation's long term key personnel incentive and retention program for 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 the remaining 57,250,000 options to be issued following shareholder approval).

For and on behalf of the Board

Brett Mitchell
Executive Director

Competent Person Statement

The information included in this Announcement that relates to resources was prepared by Mr Allen L. Kelley, who is an executive with Ralph E. Davis Associates, Inc. based in Houston, Texas. Mr Kelley has over 30 years of oil and gas experience and is a Certified Petroleum Geologist (Certificate Number 6092). Mr Kelley is a member of the American Association of Petroleum Geologists, Houston Geological Society, and the Society of Petroleum Engineers. In addition Mr Kelley has been a contributing member of the Potential Gas Committee for over 20 years holding positions of Eastern Region Vice President, Chairman of the Gulf Coast and Atlantic Committees and currently is on the Editorial Committee and Chairman of the Alaska Committee. Estimates as to recoverable hydrocarbon volumes contained in this Announcement are based upon certain assumptions. Accordingly, actual results will differ, and may differ significantly and materially, from those presented.

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

CITATION RESOURCES LIMITED

ABN

90 118 710 508

Quarter Ended ("Current Quarter")

30 June 2014

Consolidated Group statement of cash flows

		Current Quarter $A'000	Year to Date (12 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	1,028	3,518
1.2	Payments for (a) exploration & evaluation	(2,102)	(6,765)
	(b) development	-	(171)
	(c) production	(980)	(1,945)
	(d) administration & staff	(394)	(1,495)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	162	184
1.5	Interest and other costs of finance paid	(149)	(149)
1.6	Income taxes paid	-	-
1.7	Other (Research & Development Government Rebate)	-	-
	Net Operating Cash Flows	**(2,435)**	**(6,813)**
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loan repayment	-	-
1.11	Prepayment on Exploration Costs – Working Capital Loan repayable by Range Resources Ltd	(232)	(799)
1.12	Working capital loan repaid by Range Resources Ltd	267	808
	Net investing cash flows	**35**	**9**
1.13	Total operating and investing cash flows (carried forward)	**(2,400)**	**(6,804)**

1.13	Total operating and investing cash flows (brought forward)	**(2,400)**	**(6,804)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	6,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	2,010	3,110
1.17	Repayment of borrowings	-	(300)
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	-	(409)
	Net financing cash flows	**2,010**	**8,401**
	Net (decrease) increase in cash held	**(390)**	**1,597**
1.20	Cash at beginning of quarter/year	2,499	512
1.21	Exchange rate adjustments to item 1.20	(66)	(66)
1.22	**Cash at end of quarter**	**2,043**	**2,043**

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current Quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	105
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions.

Corporate advisory fees, consulting fees, company secretary and directors' fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

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Financing facilities available
Add notes as necessary for an understanding of the position.

		Amount Available $A'000	Amount Used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-
3.3	Convertible note	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and Evaluation	750
4.2	Development	-
4.3	Production	550
4.4	Administration	450
	Total	1,750

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current Quarter $A'000	Previous Quarter $A'000
5.1	Cash on hand and at bank	2,009	2,465
5.2	Deposits at call	34	34
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**2,043**	**2,499**

Changes in interests in mining tenements

		Tenement Reference	Nature of Interest (note (2))	Interest at beginning of quarter	Interest at end of Quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A	N/A	N/A

6.2 Interests in mining tenements acquired or increased	N/A	N/A	N/A	N/A

Issued and quoted securities at end of current quarter
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total Number	Number Quoted	Issue Price per Security (see note 3) (cents)	Amount Paid Up per Security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	1,299,665,067	1,299,665,067		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	110,226,132 n/a	110,226,132 n/a	n/a n/a	n/a n/a
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	491,214,750	482,464,750	**Exercise Price** $0.04	**Expiry Date** 15 December 2015
7.8	Issued during quarter	8,750,000	-	$0.015	17 June 2017
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

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Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Brett Mitchell
Executive Director

Date: 31 July 2014

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.

5 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.