

23 December 2014

ASX Announcement

Company Update –A\$5m Financing Facility Secured and Acquisition of Interests in Two Texas Oil and Gas Projects

Highlights

- **Acquisition of ~20% working interest in two onshore Texas oil and gas production assets for A\$500,000 cash, forgiveness of a A\$189,000 receivable owed to the Company and 200m Citation ordinary shares**
- **The North Chapman Ranch (18.2%) and East Texas Cotton Valley (21.75%) projects are being acquired from Range Resources Limited**
- **Texan assets materially increase the Company's asset portfolio and significantly its reserves position - net attributable P2 reserves will immediately increase on acquisition by 1.7m barrels of oil, 1.7m barrels of natural gas liquids and 18.1 Bcf of gas ¹**
- **Russell-Bevly #2 appraisal well to be spudded early 2015 – total dry hole AFE US\$3.5m (CTR's share ~US\$640k)**
- **Company has executed a term sheet for a A\$5m financing facility with the General Nice Group- immediate A\$3m drawdown at settlement following completion of formal loan documentation**
- **Atzam #5 well testing operations will recommence post funding drawdown**

Acquisition of Texas Oil Projects – North Chapman Ranch (21.75% WI) and East Texas Cotton Valley (18.2% WI)

Citation Resources Limited ("CTR", "Citation" or "the Company") is pleased to announce the signing of a Sale & Purchase Agreement for the acquisition of the North Chapman Ranch ("NCR") and East Texas Cotton Valley ("ETCV") project interests from Range Resources Limited (ASX: RRS / AIM: RRL) ("Range"), through the acquisition of Range Australia Resources (US) Limited ("RARL"), a 100% wholly owned subsidiary of Range which hold the interests in the two Texas Oil Projects. The transaction is due to complete 3 business days from execution.

The consideration for the acquisition of both assets includes A\$500,000 in cash, 200m ordinary fully paid shares in Citation (100m at completion and 100m within eight weeks of completion), forgiveness of a A\$189,000 receivable owed to Citation by Range and the assumption of Range's remaining finance carried obligations on the Atzam and Tortugas Oil Projects in Guatemala which is approximately US\$800,000 when fully drawn which Citation will recoup under the finance carry obligation shared by Citation and Range which is repaid as a priority from project cashflows pursuant to the existing funding agreement. Range shall not be permitted to sell any of the first tranche of Citation Shares issued pursuant to the Sale Agreement before 7 February 2015. Range also has the right to appoint one Director to the Board of Citation, provided that Range holds a minimum of 100 million Citation shares.

Texas Oil and Gas Projects - Russell-Bevly #2 Well To Spud

The North Chapman Ranch Project (Citation acquired 18.2% WI ²) is located in Nueces County, Texas, comprising approximately 1,680 acres and has had 6 wells drilled since 2008 that have discovered and / or appraised NCR (5 wells post Range's initial investment).

Following the commercial discovery of the Smith #1 well in December 2009, a multi well program was initiated that saw 4 appraisal / development wells drilled across the license area, with the latest well, the Albrecht #2 well, being drilled during the 2013/14 year, to determine the south-eastern extension of the

¹ Referring to Range Resources Limited (ASX: RRS) announcement dated 8 June 2012 for NCR reserves and 28 December 2011 for ETCV reserves

² The working interest with respect to NCR has a back in right from outside parties of up to 2.25%.

Howell Hight (“HH”) sandstone reservoirs. Whilst the well encountered the HH at the predicted depth, it did not flow at a commercial rate after completion.

Following the Albrecht #2 well, the Operator (Western Gulf) completed a detailed technical review on the location of future well locations which has led to the recommendation that the future development focus be moved back up to the more proven area in the North that surrounds the successful Smith #1 and Russel Bevly #1 wells.

As a result the Operator has proposed the Russell-Bevly #2 well which is targeting 40 acres of proven reservoir, being optimal infill well spacing following volumetric analysis on the current wells. The RB #2 well will be the first infill well on this 40 acre spacing between the successful Smith #1 and Russel Bevly #1 wells and is anticipated to be spudded shortly, with the Operator already issuing election notices to all partners. The total dry hole cost of the well is estimated at US\$3.5m (CTR share of US\$0.64m) with an additional US\$1.3m for completion costs (CTR share of US\$0.24m) to tie into production.

This well is the first well the Company will participate in and is the first well in the revised NCR development focus, targeting the more proven area in the North, and if results mirror that of the Smith #1 and Russel Bevly #1 wells (which have previous had combined production of 9.3 MMcf and 800 bbl of oil per day following successful well stimulation³), could support a multi-well development program.

The East Texas Cotton Valley Project (Citation acquired 21.75% WI) is located in Red River County, Texas, comprising approximately 1,570 gross acres and has one marginally successful horizontal well, the Ross 3H. This well encountered water influx however still produced, with additional work being performed to determine the scope of water encroachment from the nearby field.

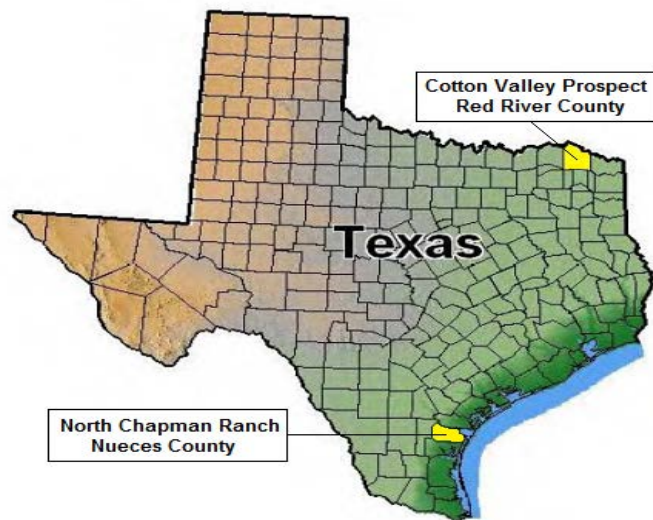


Figure 1: County Map of the State of Texas

As previously reported by Range, Gross and Net Attributable reserves on the Texas Assets are detailed in the tables below

Table 1: Gross Reserves on Texas Interests ⁴

Category	Oil (MMbbbls)		Natural Gas (BcF)		Natural Gas Liquid (MMbbbls)	
	NCR	ETCV	NCR	ETCV	NCR	ETCV
Proved (P1)	6.0	1.0	64.3	-	5.0	-
Probable (P2)	4.4	0.6	48.6	-	3.8	-
Possible (P3)	11.6	1.7	129.6	-	10.1	-
Total Reserves	22.0	3.3	242.5	-	18.9	-

³ As reported in the Range Resources Limited 2011 Annual Report

⁴ Referring to Range Resources Limited (ASX: RRS) announcement dated 8 June 2012 for NCR reserves and 28 December 2011 for ETCV reserves

Table 2: Net Attributable Reserves on Texas Interests ⁵

Category	Oil (MMbbls)		Natural Gas (BcF)		Natural Gas Liquid (MMbbls)	
	NCR	ETCV	NCR	ETCV	NCR	ETCV
Proved (P1)	1.1	0.2	11.7	-	1.1	-
Probable (P2)	0.6	0.1	6.4	-	0.6	-
Possible (P3)	0.7	0.3	7.3	-	0.7	-
Total Reserves	2.4	0.6	25.4	-	2.4	-

\$5m Financing Facility Secured

The Company is pleased to announce that it has secured a A\$5,000,000 working capital loan facility following the execution of a term sheet with General Nice Resources (HK) Ltd (“GNR”). Completion of the facility and the initial A\$3,000,000 drawdown is subject to satisfaction of certain conditions including the execution of formal loan documentation, which is now being finalised. This funding will be used by the Company to complete the acquisition of the two Texas oil and gas assets, fund pending development of the Russell-Bevly #2 well on the NCR Project, completion of the Atzam #5 well testing program and general working capital. The key terms for the A\$5,000,000 working capital facility are:

- Initial drawdown A\$3,000,000 on completion via Convertible Promissory Notes
- Face value of initial CP Notes \$3,333,333
- Further quarterly drawdowns available for full \$5,000,000
- 18 month term
- Senior security over all other finance facilities
- Interest 12% per annum
- Early redemption by the Company will incur a 5% premium equal to the Principal Amount being redeemed
- Facility fee A\$100,000 plus 200m 3 Year options exercisable at A\$0.003

Atzam #5 Well Testing To Recommence on Upper C18/C17 Section

Following completion of the new financing arrangements, the Company expects the Operator to recommence the testing operations on the Atzam #5 well at the Atzam Oil Project in Guatemala.

The Atzam 5 well testing operations that were expected to recommence in mid September on testing the C18 carbonate section were delayed due to further technical review of the optimal C18 section to retest, and the type of testing program to be run. The testing program has not yet been restarted, and all reservoir sections above the C18 (C13 to C17) still remain to be flow tested.

If the recommenced flow testing operations on the upper C18 carbonates are unable to sustain oil production at a strong commercial flow rate, the testing program will move up to the C17 section which is the producing reservoir unit in the Atzam #4 well.

For and on behalf of the Board

⁵ Referring to Range Resources Limited (ASX: RRS) announcement dated 8 June 2012 for NCR reserves and 28 December 2011 for ETCV reserves