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28 October 2013 ASX Announcement

Atzam Oil Project Update

- **Atzam #5 development well to spud in November- construction of drilling location significantly advanced after heavy late season rains during September and early October**
- **Atzam #4 continues on production – strong flow rates and well head pressure maintained (250-300 psi) on highly restricted choke (12/64 inch), with no water production to date**
- **New sales contract for 1,500 barrels completed with Perenco Guatemala**
- **Total sales exceeding of 13,000 barrels completed since August**
- **Revenue netbacks received of approximately $60 per barrel**
- **20mmbbl 2C contingent resource estimate under review following Atzam #4 success**
- **Material exploration upside at Atzam - unexplored salt dome and anticline structures to be evaluated and tested in 2014**
- **Planning for Tortugas Salt Dome re-entry operations on 63-4 and 63-5 wells are advancing with the Operator and relevant service providers**

Atzam Oil Project – Drilling Atzam #5

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) is pleased to advise that preparations for the drilling of the Atzam #5 development well at the Atzam Oil Project in Guatemala (CTR: 60%) are significantly advanced, with the drilling pad and location construction now nearing completion and drilling expected to commence in November. The scheduling for the drilling of the Atzam #5 well has been delayed from late September due to an unusually late end to the heavy rains experienced in the wet season in Guatemala. The well location for Atzam #5 is approximately 1,100m to the south-east of the Atzam #4 production well and the well has been designed to test the same carbonate reservoir intervals that were intersected and produced oil shows in Atzam #4.

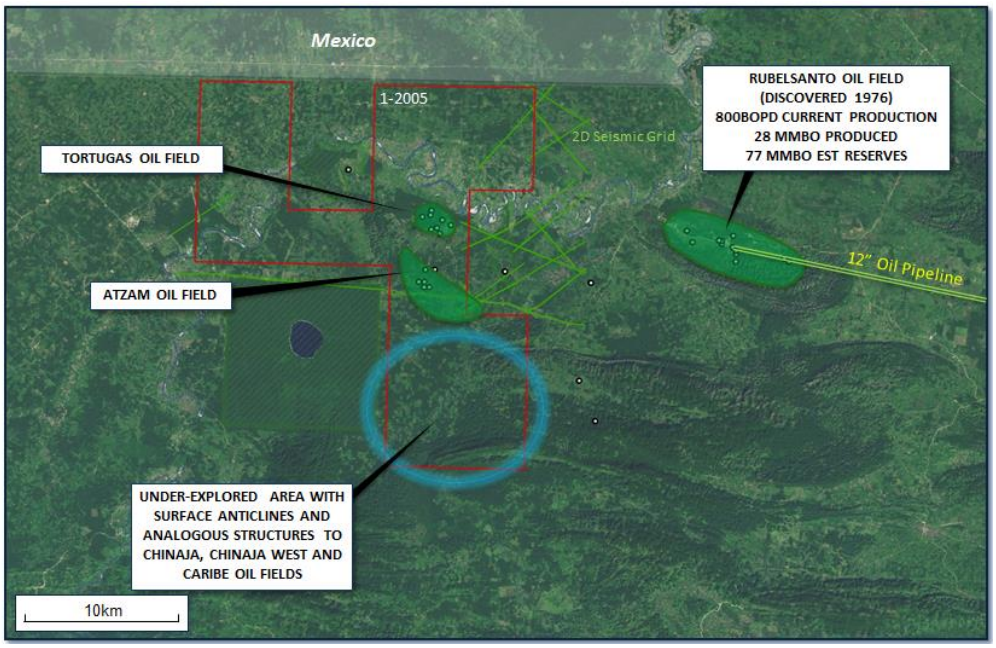
Like Atzam #4, the Atzam #5 well will be drilled to a depth of approximately 4,000 feet and will target the C18 and C19 carbonate reservoirs as the primary objectives in addition to the producing C17 carbonate zone. The C18 and 19 carbonates were intersected in Atzam #4 and produced strong oil shows at surface during the drilling of the well but were unable to be effectively production tested.

Following the successful drilling of Atzam #5 and the well becoming the second major producing well on the Atzam Oil Project, the Operator is targeting a combined production rate in excess of 600 bopd from both wells.

Atzam #4- Production and New Sales Continue

The Company confirms that production from the Atzam #4 well has continued throughout October and that Latin American Resources Ltd (**Operator**) has completed new contract sale deliveries with Perenco Guatemala. The well is still being produced on a highly restricted choke (12/64 inch) at approximately 140 barrels of oil per day, whilst maintaining a constant well head pressure of between 250 - 300 psi and still with no water production to date. The well continues to produce from natural reservoir pressure and without the need for a submersible pump to assist flow rates.

The Operator completed a new oil sales contract this week with the sale and delivery of a further 1,500 barrels of oil to Perenco Guatemala, on the same terms as the first oil sales as previously advised. These sales will generate netbacks of approximately $60 per barrel for the project partners.



Project Location and Exploration Potential

The Operator is continuing to produce the Atzam #4 well on a highly restricted choke, with plans to increase the choke over time to in order to maintain the reservoir integrity during this initial production phase. The Operator will increase the choke to establish the optimal production rate for this producing C17 carbonate section. Independent reservoir engineers Ralph Davis have recommended that the well be produced at an optimal production rate of 466 bopd, whilst maintaining the reservoir's structure and integrity.

The Operator estimates that the producing 6 foot C17 carbonate section (2846-2852ft) could produce in excess of 1,000 bopd on an open choke based on the flow rates recorded to date on various choke sizes up to 32/64ths, together with the downhole and well head pressures data from this zone. But this will not be undertaken as it is likely to damage the reservoir and inhibit the zones long term production potential.

Atzam Oil Project

Tortugas Salt Dome Project

The Operator has been advancing operational plans to undertake the 2 well re-entries on the Tortugas Salt Dome structure in early 2014 as previously planned for the 2014 operating schedule. The well re-entries on two 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. In the 1970s, 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 Chemical having drilled 17 wells on the structure exploring for sulphur. One of the wells (T9B) experienced an oil blowout at approximately 1,500 feet, with the majority of the other wells having oil shows in multiple zones.

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.