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3 June 2013 ASX Announcement

Significant Initial Oil Production Establishes Commercial Well

- **Initial 7 foot section (2846-2853ft) perforated in the Upper C17 carbonates has produced significant oil and gas to surface immediately post perforation**
- **Flow rate of 610 bbl oil per day equivalent established over 24 hour period – average of hourly flow rates using varying choke sizes with a recorded peak of +1,000 bbl per day**
- **No acid wash or reservoir stimulation used- flow rate generated by natural reservoir pressure**
- **Oil cut of 99% from producing zone, with strong gas flare (shown below)**
- **Good quality 29° API oil, with calculated natural reservoir pressure of 1300 psi**
- **13ft zone in Upper C17 with better log interpretation (than current +600 bopd producing section in same reservoir unit) was not perforated due to the high pressure oil and gas production from perforated zone- will be perforated in future well production operations**
- **C13 and C14 carbonates remain untested above this C17 section, and are the main producing zones in the nearby Rubelsanto Field- produced over 30 mmbbl to date from 8 wells, 17km from Atzam Field**
- **Production is being stored in onsite tanks – commercial sales of production to commence**
- **Results confirm the commercial viability of the Atzam Oil Field**
- **Current Probable Reserve estimate of 2.3m barrels of oil in Atzam #4 well alone, to be revised on results**
- **Net backs in Guatemala approximately 50% of the WTI market price – favourable economics**
- **Pressure gauges will now be used to confirm the reservoir pressure reading from the producing C17 zone to establish updated resource estimates for the Atzam Project and Atzam #4 well**

The Company is pleased to announce with Latin American Resources (Operator) that a 7 foot section in the Upper C17 carbonates has produced significant volumes of oil to surface unassisted over a 24 hour period, immediately following the perforation of this zone in the Atzam #4 well. The generation of a 610 bopd average rate over this period without acid wash of the section or well swabbing is considered a strong endorsement of the commercial potential of the well, and likely to increase the recoverable resource volumetrics for the Atzam Field. The Company is currently earning a 70% interest in the project through the funding of the Atzam #4 well and associated programs on the Atzam and Tortugas projects.

Significant Initial Oil Production – 610 bopd Flow Rate Confirms Commercial Well

After perforating a 7 foot section in the reservoir in the Upper C17 carbonates from 2846ft to 2853ft, the well immediately started to produce fluids and gas to surface without assistance. Following an initial well clean up with recovery of fluids, oil and gas to surface, the well produced at an average rate of 610 bopd over a 24 hour period using various choke sizes.

The Operator has a calculated natural reservoir pressure of over 1300 psi and confirmed that the open reservoir section in the Upper C17 carbonate is producing a good quality 29° API oil. The oil produced to date is being stored to be sold and the Operator expects to have a commercial contract in place to sell future production over the next few days.

With the volume of oil being produced at these reservoir pressures, the Operator is unable to be immediately testing a highly prospective 13 foot section in the Upper C17 above this producing unit or the C13 and C14 carbonate sections that are the producing units in the Rubelsanto Field. These sections can be tested and bought onto production in Atzam #4 at an appropriate time in the future depending on the well's production profile, and will be primary targets in the next Atzam #5 well.

Atzam # 4 - Initial ELAN and CMR Log Interpretation Results

Zone	Depth	Thickness	% Porosity	% Oil Saturation	Permeability
C13 A	1748-1794	46 feet	15-45%	Up to 53%	Up to 559 md
C13 B	1806-1824	18 feet	20%	Up to 49%	
C14 A	1845-1860	15 feet	28%	Up to 54%	
C14 B	1902-1915	13 feet	13-15%	Up to 74%	Up to 131 md
C16 A	2464-2470	16 feet	15%	Up to 58%	1,390 md
C16 B	2494-2514	20 feet	10%	Up to 73%	50 md
C17 A	2772-2774	2 feet	12%	Up to 90%	100
C17 B	**2846-2854**	**8 feet**	**6-8%**	**Up to 50%**	

* Porosities and oil saturations not measurable because of large hole diameter caused by extremely fractured and friable limestones and dolomites in the section. The C18 N and O correlate to the producing section in the Atzam #2 well as does the top of the C19. Oil and gas shows in the zones while drilling and a structural gain of 270 and 240 feet respectively indicate productive intervals. Formation tops were picked based upon drilling samples, drilling times and gamma ray logging. Permeabilities were measured in specific points by CMR log.

Highly Prospective C13 and C14 Carbonates – Still Untested and Behind Pipe in Atzam #4

The Atzam #4 well produced impressive oil shows during the drilling of the well through the C13 and C14 carbonates, complemented by higher than expected permeability and porosity results from the electric logs over these sections. This established the C13 and C14 carbonates as two of the reservoir sections in the well that display strong commercial potential, and are the main producing zones in the nearby Rubelsanto Field.

The Rubelsanto Field has produced over 30 mmbbl to date from 8 wells and is located only 17km to the north east of the Atzam Field, along a structural fault offset.

2.3m Barrel Probable Reserve Estimate for Atzam #4 Well

Ralph E Davis and Associates (RED) were commissioned to undertake an independent reserves report based on the results of the logging and the analytical work completed by Schlumberger on the Atzam #4 well. The report concluded that upon reviewing Schlumberger's detailed petrophysical work there is up to 20 material oil shows in the Atzam #4 well, with 8 zones recommended by RED to be tested for commerciality.

The report concludes the Atzam #4 well has a Probable Reserves estimate of 2.3m bbls using a 30% recoverability factor and a 160 acre drainage area as set in the table below, which excludes several deeper zones in the lower C-18 and C-19 which were not evaluated due to lack of detailed well log data due to the well bore washout encountered whilst drilling:

Gross Oil Volumes, Barrels

	RF 25%	RF 30%
C-13A	421,174	505,409
C-13 B	202,198	242,637
C-14A	79,988	95,985
C-14 B	278,715	334,458
C-16	157,925	189,509
C-17	453,143	543,772
C-18A	201,401	241,681
C-18B	132,757	159,308
	1,927,301	**2,312,759**

The report used production and well data from analogous wells in the area to compare to the petrophysical results recorded in the Atzam #4 well. Although the Lower C18 and C19 zones were not included, as these zones were washed out while drilling and the logging tool could not be used through this interval, RED believe that there should be hydrocarbons present and the Lower C-18 and C-19 should be tested in the next well scheduled to be drilled on the project.

The reserves estimates in the report conform to the definition of probable reserves approved by the SPE/WPC/AAPG/SPEE Petroleum Resources Management System (SPE-PRMS) document as co-sponsored by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

Atzam Carbonates and Tortugas Salt Dome Projects

Mapping of the Atzam structure using existing data from previous operators (Basic, Hispanoil) and MEM, and incorporating reservoir data acquired since production initiated in December 2007, indicate the possibility of a structure of comparable size and orientation to that of the existing Rubelsanto field in Guatemala. The Rubelsanto field has produced +30 MMBBL of oil since its discovery in 1976. The field currently continues to produce +1,000 BOPD, 36 years after its discovery. The Atzam #2 well had initial flow rates of 1,200 BOPD of 34°API oil which led to new well designs for the Atzam #4 well.

In addition to the Atzam structures on Block 1-2005, the Tortugas Salt Dome structure is a suspended oil field. Originally 17 wells on Tortugas salt dome were drilled by Monsanto looking for sulphur. One well (T9B) had an oil blowout at approx. 1,500 ft and most others had oil shows in multiple zones. The Company is reviewing the well re-entry opportunities on the Tortugas Salt Dome structure with the Operator.

Short Term Working Capital Funding and General Meeting

Due to expected cash calls of the Operator relating to the installation of commercial production facilities, contracting key production personnel and ongoing activities, the Company has agreed to a short term working capital facility with strategic shareholder, Range Resources Limited (and its financiers), for up to $1,000,000. The Company is required to fund the ongoing Atzam operations through its financing obligations to earn its 70% equity interest in the project owner and Operator, Latin American Resources Ltd.

The loan can be repaid by the Company or converted into ordinary shares at AUD$0.01 per share (being the 10 day VWAP), at the election of the financier subject to any regulatory approvals.

The Company is preparing a Notice of Meeting that will be lodged in the next few days, seeking to refresh the Company's placement capacity and ratify recent issues of securities as per its ASX releases.

For and on behalf of the Board

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.