

21 August 2013

ASX Announcement

Corporate and Atzam Project Update

- **Successful completion of \$6,000,000 capital raising**
- **First oil sales agreement executed- sale of first 5,000 barrels underway, with netback pricing secured of ~US\$65/barrel**
- **Negotiations significantly advanced on long term offtake contracts**
- **Atzam #5 development well on schedule for a September spud date**
- **New reserve report on Atzam #4 well due shortly- expected upgrade to initial 1P reserves and on the current 2P reserve estimate of 2.3m bbls**
- **Citation completed earn in for 60% interest in Latin American Resources, owner of Block 1-2005 in Guatemala, encompassing the Atzam Oil and Tortugas Salt Dome Projects**
- **Citation fully funded for the Atzam #5 development well and oil storage facility upgrades**

Project Update

Atzam Oil Project

The Atzam #4 well has continued to produce good quality 38°API oil at rates of approximately 140 bopd from natural reservoir pressure on a restricted 8/64ths choke during August. Importantly the Operator has now successfully completed the first oil sales from the project. The Operator concluded the initial oil sales contract with Perenco Guatemala for 5,000 bbls which is currently being transported off site and expected to be completed within 7 days.

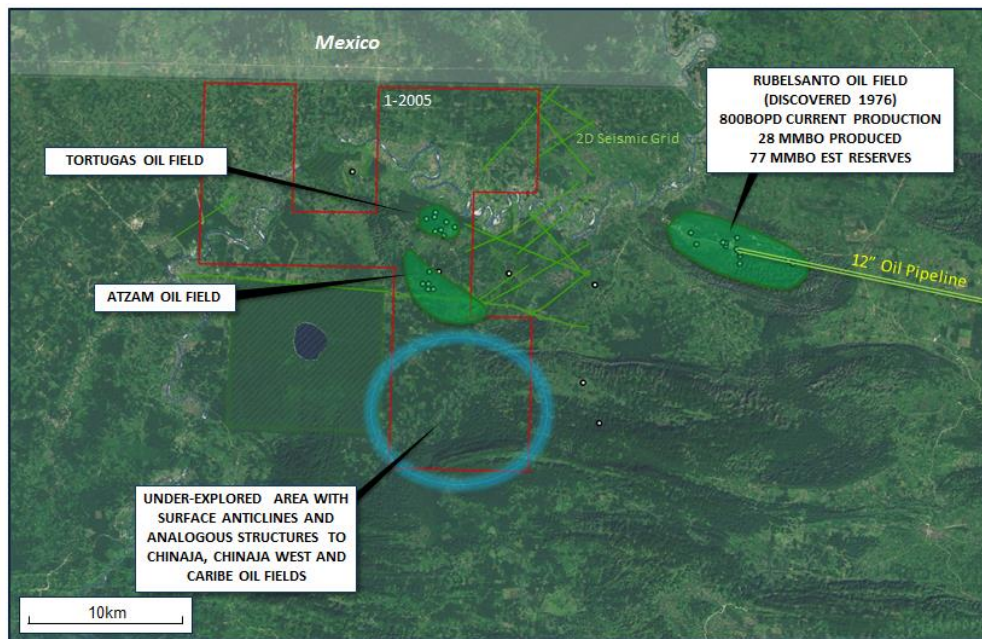
The well has continued to be produced on a highly restricted choke due to the current onsite tank storage capacity limited to 7,000 barrels. The Operator estimates the producing 7 foot C17 carbonate section (2846-2853ft) would produce in excess of 1,000 bopd on an open choke based on the flow rates recorded to date on various choke sizes up to 32/64ths, together with the downhole and well head pressures data from this zone.

The well has been on continuous production until it was recently shut in due to the onsite storage tanks approaching their existing 7,000 barrel capacity limit. During this well shut in, additional reservoir testing was conducted on the 7 foot producing zone in the Upper C17 carbonate section to assist in evaluating the optimal production flow rate, with current well head pressure of 530 psi confirming ongoing strong reservoir performance.

The Atzam #4 well has now recommenced production following these initial oil sales, and the Operator plans to produce the well at a stabilised flow rate through a 12/64 inch choke. The production rate is planned to be increased to an optimal production flow rate once the current onsite tank storage capacity logistics are resolved, through the construction of additional onsite storage facilities and completion of long term offtake contracts which are in an advanced stage of negotiations with the Operator, Latin American Resources (LAR).

Importantly the ongoing production from the C17 carbonate section has continued from natural reservoir pressures and without assistance from a submersible pump, which is normally used for producing these carbonate sections.

The Atzam #5 development well is currently on schedule to be spudded in late September, with the Operator currently finalising the well site location.



Project Location and Exploration Potential

Revised reserve report on Atzam #4 well

Independent Reservoir Engineers, Ralph E Davis (RED) from Houston, are finalising an updated Atzam #4 well independent reserve report, resulting from the successful well flow testing program and the recent production flow rates of the well as previously reported. The initial Atzam #4 independent reserve report from February 2013 stated a 2.3m barrel 2P reserve based on the drilling and logging data from the well. This report is being updated by RED and is expected to produce an initial 1P reserve and upgrade the existing 2P reserve for the Atzam #4 well based on the production flow rates together with the pressure and reservoir data from the recently completed testing program from this Upper C17 production zone during June.

Corporate Update

The Company today announced that it had completed its \$6,000,000 capital raising to sophisticated investors to fund the next phase of the operations at the Atzam Oil Project, to be prioritized for the drilling of the Atzam #5 development well and increasing the onsite storage capacity by an additional 9,000 bbls to 16,000 bbls.

The Company announced that following the recent production success of the Atzam #4 well, and the Board's decision to participate in the follow-up Atzam #5 development well, the Company issued the milestone securities to the vendors of Citation Resources Aus Pty Ltd as approved by Shareholders. Subsequently the Company also partially converted the existing working capital and project financing loans from Range Resources Ltd (ASX: RRS) to equity, pursuant to a debt conversion agreement with Range and pursuant to the Term Sheet dated 3 July 2012. Following the conversion of the loans, which will be completed in a two stage process, Citation will be debt-free and hold a direct 60% equity interest and be the major shareholder of LAR, with Range holding approximately a 19% shareholding in Citation and a direct 20% shareholding in LAR.



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.