

31 March 2014

ASX Announcement

Atzam #5 Drilling Ahead Towards First Carbonate Targets

- **Atzam #5 well is drilling ahead at 1,260 feet, expected to intersect initial carbonate reservoir targets within days**
- **Atzam #5 well successfully cased and cemented to top of carbonates at 1,246 feet - Indications of initial hydrocarbon shows at casing point**
- **Atzam #5 well prognosis to Atzam #4 reservoir sections on track**
- **Flow test tanks and separator unit now installed at Atzam #5 wellhead - Operator has ability to immediately test potential commercial producing zones through the drilling program, prior to reaching planned total depth**
- **Primary reservoir targets expected from 2,700 to 4,100 feet - C17, C18 and C19 carbonates**
- **Atzam #5 well targeting the same carbonate sections as the Atzam #4 production well**
- **Atzam #4 well continues to produce at ~170 bopd, flowing tubing pressure steady at +200psi**
- **New reservoir pressure testing data indicates up to 325,000 barrels recoverable oil from current 6 foot producing zone in C17 reservoir**

Atzam Oil Project – Drilling Atzam #5

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) advises the Atzam #5 well at the Company's Atzam Oil Project in Guatemala is now drilling ahead at 1,260 feet towards its initial carbonate reservoir targets after drilling out the cement plugs at the bottom of the casing string earlier today. The well is now expected to intersect the initial target zones within days, and is expected to reach the well's planned total depth in approximately 4 weeks. The well plan is to drill to the top of the C18 reservoir section to set 9 5/8 inch production casing, then drill ahead to the planned TD of 4,100 feet to open hole test the C18 and C19 primary reservoir sections.

The Atzam #5 well was recently drilled down to 1,246 feet where the Operator (Latin American Resources) successfully set and cemented the first intermediate 13 3/8 inch casing string in the well. This was a critical operational phase successfully completed by the Operator due to the complex limestone geology present down to the top of the carbonate units.

Following drilling and setting casing at 1,246 feet in the Atzam #5 well, analysis of the data showed indications of initial hydrocarbon shows at casing point. Although not material shows in the context of a commercial reservoir section, the Operator has installed flow testing tanks and a separator unit at the well head to have this equipment in place to be able to immediately test any potentially commercial carbonate zones as the well drills through the target carbonate sections. This will enable the Operator to immediately commence a commercial production testing program if a carbonate zone produces material flows to surface from drilling, and not waiting to test the zone until after the well has been drilled to its planned depth of 4,100 feet and test the deepest carbonate sections first.

The Atzam #5 well will be drilled to a target depth of approximately 4,100 feet and will target the C18 and C19 carbonate reservoirs as the primary objectives, in addition to the producing C17 carbonate reservoir in the Atzam #4 well. 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 flow tested. The drilling and flow testing of the C18 and C19 carbonates are a major objective for the Atzam #5 well program.



Atzam #4 Production Continues At 170 BOPD

The Atzam #4 production well continues to produce at approximately 170 bopd whilst maintaining a flowing tubing pressure over 200 psi following the Operator increasing the choke to 18/64ths (from 16/64ths) in February. The production performance from this 6 foot perforated section in the C17 reservoir over the past 8 months is very encouraging with production continuing without any associated water to date.

Recent downhole reservoir pressure testing data has confirmed that the strength of the reservoir energy from this producing 6 foot perforated section in the C17 carbonate. The shut in downhole pressure testing recorded in excess of 500 psi, only slightly lower than the virgin reservoir pressure recorded on perforating this section in June 2013. Following the recent testing program, an initial independent report on this 6 foot producing zone has increased the potential recoverable reserves to 325,000 barrels of oil.

The well continues to produce from natural reservoir pressure without the need for a submersible pump to assist flow rates, which is usually required for producing these carbonate reservoirs. The well production plan is to continue increasing the choke over a period of time to establish the optimal production rate for this producing carbonate section.

For and on behalf of the Board.

A handwritten signature in black ink, appearing to read 'Brett Mitchell', written over a horizontal line.

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.