

30 January 2014

ASX Announcement

December 2013 Activity Report

- Citation holds a 60% interest in the producing Atzam and Tortugas Oil Fields
- Atzam #4 produced over 9,000 barrels for the quarter - including shut in time for maintenance and pressure testing during December to increase choke and flow rate in January
- Atzam #4 continued to produce at strong flow rates on a restricted choke (12/64 inch) from natural reservoir pressure only - no water production to date
- Completion of Atzam #5 well location and drill pad and conductor casing set down to 120 feet during November and December in preparation to spud well
- Atzam #5 well spudded in early January 2014
- Drilling programs for Tortugas Salt Dome 63-4 and 63-5 well re-entries planned for H1 2014

Operational Activities

Atzam Oil Project

The Atzam #4 well continued to produce good quality 38°API oil during the December quarter on a highly restricted choke (12/64 inch), with an average production rate of approximately 120 bopd during the period. Total production for the quarter exceeded 9,000 barrels, with the Operator continuing to complete regular oil sales with Perenco Guatemala.

As detailed in previous releases, the Operator (Latin American Resources) planned to increase the Atzam #4 production rate to maximise the flow rate and revenue stream to the project, whilst maintaining the integrity of the producing C17 carbonate structure. After completing reservoir pressure testing programs in December, this was implemented in January with the choke opened to 16/64 inches and flow rate increased to 150 bopd. Importantly the well is continuing to produce 100% oil with no associated water from natural reservoir pressure. The continuing production on a restricted choke without assistance from a submersible pump is a strong indication of the quality of this C17 reservoir section.



Atzam Oil Project

Latin American Resources continued to undertake sales contracts on all Atzam #4 oil production during the quarter to Perenco Guatemala, and is in current negotiations with oil companies on strategic offtake contracts for the Atzam #4 oil production, and for future production from Atzam #5.



Rigging up mast on Atzam #5 location

Atzam #5 Spudded – Drilling Ahead

The Company recently advised that Latin American Resources Harold Lee 500 drill rig was drilling ahead on the Atzam #5 location, following delays late in the December quarter on the completion of the drilling location and site works mainly due to ongoing unseasonal rainfall. By early December the initial conductor casing was set down to 120 feet and by early January the Harold Lee 500 rig was on location with the drill mast in place as shown below, just prior to commencement of drilling operations.

The Atzam #5 well location is approximately 1km to the south-east of the Atzam #4 production well, with the well located and designed to test the same carbonate reservoir intervals that were intersected and produced oil shows in Atzam #4 and to quickly tie into production on success. The Operator, Latin American Resources, is managing the drilling program with Schlumberger providing specialist services on the well including the logging and cementing programs. The Atzam #4 well alone has a 2P reserve of 2.3m barrels from the independent reserve report by Ralph E Davis as detailed in previous announcements.



Rigged up on Atzam #5 location

Like Atzam #4, the Atzam #5 well will be drilled to a target depth of approximately 4,100 feet in approximately 40 days on a trouble free basis. The Atzam #5 well will target the C18 and C19 carbonate reservoirs as the primary objectives, in addition to the current 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 appraisal program as they could not be flow tested and commercially evaluated as the primary objective in Atzam #4.

Atzam #4 Well Reserve Report- 1P and 2P Reserves for Atzam Project

Following the production success of Atzam #4, the Independent Reservoir Engineers Ralph E Davis (RED) from Houston, completed an updated independent reserve report for the Atzam #4 well. This report produced an initial proven reserve (1P) of 362,515 barrels from only the producing 6 foot section of the C17 carbonate section alone. The combined 1P and 2P reserves for the well exceeds 2.3m barrels.

The untested 7 foot section in the C17 carbonates that sits above the producing zone is still to be tested and brought onto production, upon which this would increase the 1P reserve estimate in excess of 500,000 bbls from the C17 section. The highly prospective C13 and C14 carbonates in the Atzam #4 well are still to be flow tested and would also be converted from 2P to 1P reserves following a successful testing program.

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. The updated reserve report with the conversion of an initial 1P reserve for the producing 6 foot section in the C17 carbonates is set out below:

1P: Proved Gross Oil Volumes, Bbls			
Formation: Zone	RF 20%		
C-17	362,515		
Total Proved	362,515	-	-

Proved + Probable Gross Oil Volumes, Bbls			
Formation: Zone	RF 20%	RF 25%	RF 30%
C-13 A	336,939	421,174	505,409
C-13 B	161,758	202,198	242,637
C-14 A	63,990	79,988	95,985
C-14 B	222,972	278,715	334,458
C-16	126,340	157,925	189,509
C-17	362,515	453,143	543,772
C-18 A	161,121	201,401	241,681
C-18 B	106,205	132,757	159,308
Total Proved + Probable	1,541,840	1,927,301	2,312,759

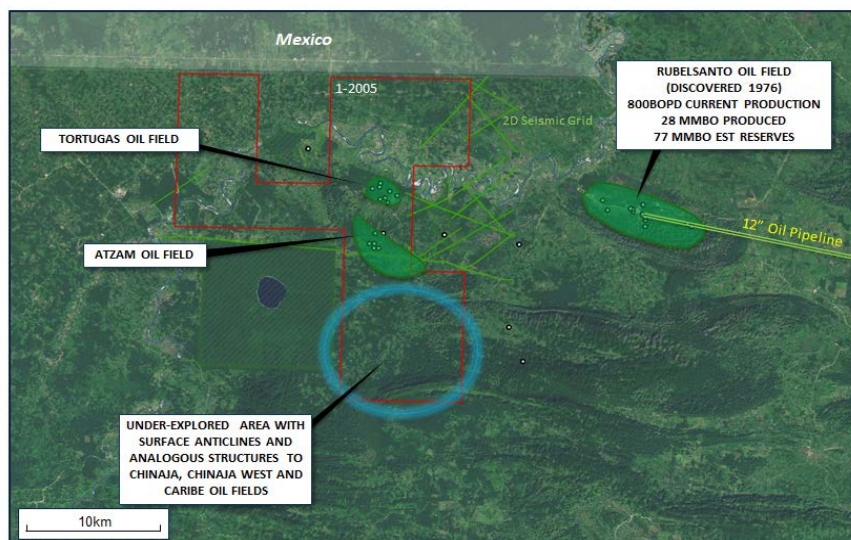
Individual reserve estimates are based upon analyses of those specific intervals with indications of hydrocarbons utilising reservoir parameters based upon an evaluation of the well logs. An assignment of a 160 acre drainage area was utilised for each reservoir and a recovery factor was varied from 20% to 30% as indicated in the table above.

The reserve estimates included in this report conform to the appropriate definitions of reserves and resources as 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.

Tortugas Salt Dome Project

The Company has continued to advance operational plans with the Operator to commence the 2 initial well re-entries on the Tortugas Salt Dome structure, in the first half of 2014. Successful well re-entries on these first two planned 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 profiles. In the mid 80s, 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 having drilled 17 wells on the structure including wells for both sulphur and oil. One of the wells (T9B) experienced an oil blowout at approx. 1,500 feet, with the majority of the other wells having oil shows in multiple zones.



Project Location and Exploration Potential

Corporate Activities

Annual General Meeting

The Company held its AGM on 28 November 2013 and all resolutions were passed unanimously on a show of hands.

Issue of Shares and Options

On 21 October the Company issued 158,160,487 ordinary shares and 50,000,000 free-attaching 4 cent listed options (CXXO) to Range Resources Limited (or its nominees) to fully convert all the working capital loan funding provided to the Company during the year to fund the Atzam #4 well operations and acquisition costs of the Atzam Oil Project, as detailed in the Notice of Meeting and approved by shareholders on 25 September 2013.

Short Term Working Capital Loans

As initially advised on 29 July 2013, the Company entered short term working capital loan agreements with third parties for \$750,000 to provide interim funding prior to a comprehensive refinancing that was completed in October 2013. These loans were unsecured, interest free and the lenders had the right to have the loans repaid or convert them on equivalent terms to any capital raising undertaken by the Company prior to maturity. As subsequently announced, the Company extended the maturity date of the loans to 31 December 2013 and repaid \$50,000 of the loan facility during the quarter. On 8 October the Company issued 18,750,000 4 cent listed options (CXXO) to the lenders in lieu of an establishment fee, interest and security for the initial loan term.



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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

CITATION RESOURCES LIMITED

ABN

90 118 710 508

Quarter Ended ("Current Quarter")

31 DECEMBER 2013

Consolidated Group statement of cash flows

		Current Quarter \$A'000	Year to Date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	1,427	1,427
1.2	Payments for (a) exploration & evaluation	(379)	(3,492)
	(b) development	(171)	(171)
	(c) production	(308)	(308)
	(d) administration & staff	(393)	(618)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	7	18
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Research & Development Government Rebate)	-	-
Net Operating Cash Flows		183	(3,144)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loan repayment	-	-
1.11	Prepayment on Exploration Costs – Working Capital	(302)	(567)
	Loan repayable by Range Resources Limited	-	-
1.12	Other (refund of mining security bonds)	-	-
Net investing cash flows		(302)	(567)
1.13	Total operating and investing cash flows (carried forward)	(119)	(3,711)

1.13	Total operating and investing cash flows (brought forward)	(119)	(3,711)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	6,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	1,100
1.17	Repayment of borrowings	(50)	(50)
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	(15)	(409)
	Net financing cash flows	(65)	6,641
	Net (decrease) increase in cash held	(184)	2,930
1.20	Cash at beginning of quarter/year	3,626	512
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,442	3,442

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	88
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions. Company secretary and directors' fees.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 21 October 2013 the Company issued Range Resources Ltd (or its nominees) with 158,160,487 fully paid ordinary shares and 50,000,000 free attaching 4 cent listed options (CTRO). This issue of equity was to convert in full the working capital loan funding provided by Range to the Company to fund Atzam #4 well operations and the acquisition costs of the Atzam Oil Project as detailed in the Notice of Meeting and following shareholder approval on 25 September 2013.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount Available \$A'000	Amount Used \$A'000
3.1 Loan facilities	700	700
3.2 Credit standby arrangements	-	-
3.3 Convertible note	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and Evaluation	1,500
4.2 Development	-
4.3 Production	300
4.4 Administration	350
Total	2,150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	3,408	3,592
5.2 Deposits at call	34	34
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,442	3,626

Changes in interests in mining tenements

	Tenement Reference and Location	Nature of Interest (note (2))	Interest at beginning of quarter	Interest at end of Quarter
6.1	Interests in mining tenements held at the end of the quarter and their location			
	EPC 1751 Bowen Basin, QLD EPC 1864 Bowen Basin, QLD EPC 1748 Surat Basin, QLD EPC 1745 Surat Basin, QLD	Wholly owned	100%	100%
	Block 1-2005, South Peten Basin, Guatemala	Joint Venture	60%	60%
6.2	Interests in mining tenements relinquished, reduced or lapsed and their location	N/A	N/A	N/A

6.3	Interests in mining tenements acquired or increased and their location	N/A	N/A	N/A	N/A
6.4	Beneficial percentage interests held in farm-in or farm-out agreements	N/A	N/A	N/A	N/A
6.5	Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of	N/A	N/A	N/A	N/A

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total Number	Number Quoted	Issue Price per Security (see note 3) (cents)	Amount Paid Up per Security (see note 3) (cents)
7.1	Preference ⁺ securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	1,189,438,935	1,189,438,935		
7.4	Changes during quarter (a) Increases through issues	158,160,487 ordinary fully paid shares issued on 18 October 2013	158,160,487	\$0.02 per share	\$0.02 per share
	(b) Decreases through returns of capital, buy-backs	n/a	n/a	n/a	n/a
7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	440,500,000	440,500,000	Exercise Price \$0.04	Expiry Date 15 December 2015

7.8	Issued during quarter	50,000,000 options issued on 18 October 2013	50,000,000	\$0.04	15 December 2015
		18,750,000 options issued on 8 October 2013	18,750,000	\$0.04	15 December 2015
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Brett Mitchell
Executive Director

Date: 30 January 2014

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.