

19 May 2014

ASX Announcement

Atzam #5 Project Update – Flow Testing Commenced

Highlights

- **First phase of Atzam #5 flow testing underway- open hole test on lower C18 and C19 carbonates**
- **Results of electric log analysis of multiple potential pay zones expected within days**
- **Independent reserve report commissioned for Atzam #5 and new Atzam Oil Project resource estimate**
- **Atzam #5 well successfully drilled to 4,025 feet (cased to 3,600 feet), high on structure to the producing Atzam #4 well (~66 feet) and Atzam #2 (~320 feet)**

Atzam Oil Project –Atzam #5 Flow Testing Underway

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) is pleased to advise that flow testing operations have commenced on the Atzam #5 well at the Company's Atzam Oil Project in Guatemala. The well was successfully drilled to a total depth of 4,025 feet and encountered multiple potential pay zones, with significant oil shows to surface and fluorescence in the cuttings from drilling through the targeted carbonate sections.

The initial flow test program will be conducted as an open hole test of the lower C18 and C19 carbonates from below the final casing point at 3,600 feet. These sections comprise part of the primary reservoir target zones and were the zones that flowed more than 1,000 bopd in Atzam #2, and were unable to be flow tested in Atzam #4.

Following completion of the drilling operations at Atzam #5, the Operator ran a full suite of electric logs from the first carbonate sections intersected down to the well's total depth of 4,025 feet. Leading global oilfield services firm Schlumberger is currently undertaking an independent review of the electric logs run across all carbonate sections in Atzam #5, with initial results now expected within days.

Atzam #5 success indicates upside potential

The Atzam #5 well being drilled close to the structural high of the Atzam Oil Field was confirmed through the intersected depths of primary reservoir sections in drilling operations. On completion of the Atzam #5 well at its TD is running approximately 66 feet high on structure to the Atzam #4 well and approximately 320 feet high to the Atzam #2 well. The Atzam #4 well was previously expected to be sitting on the crest of the Atzam structure and the Atzam #2 well recorded initial flow rates of in excess of 1,000 bopd from the primary C18/19 carbonate sections.

Commenting on the results to date, Citation Resources Executive Director, Brett Mitchell, said these initial indications could have very positive implications for a new resource estimate for the Atzam Oil Project.

Independent expert Ralph E Davis, Houston has been commissioned to complete an independent reserve report for Atzam 5 well and to provide a new Atzam Oil Project resource estimate.

"This revised reservoir structure depth profile for Atzam #5 has potentially very significant implications for the commercial prospectivity of Atzam #5 and the in place oil resource estimate for the Atzam Oil Field," Mr Mitchell said.

"The true structural extent and volumetrics of the Atzam Oil Field will only be clearly defined through a 3D seismic survey that is planned for 2014 as one of the key projects to follow the drilling of Atzam #5. Atzam #5 is a step out well located approximately 1.2 kilometres from the Atzam #4 well, and the successful penetration of a number of potential pay zones we were targeting in Atzam #5 is very positive for the commercial potential of this well, and the total project economics going forward. "



Short Term Financing Arrangements

To fund well completion and additional testing and production work, the Company has secured a \$2m debt facility from sophisticated investors. Key terms of the facility are 10% interest rate, \$2.4m repayable on or before 30 April 2015 at any time and 66m unlisted options (\$0.015, 3 year expiry). On the Company completing a successful debt or equity raising exceeding \$5,000,000, all outstanding amounts drawn under this facility will be repaid as a priority or the lenders may convert their loan amounts on the same terms as the next completed equity raise.

Retention and Incentive Shares

The Company will be issuing 65,000,000 shares to Latin American Resources nominees as part of Citation's long term key personnel incentive and retention program for the successful development of the Atzam and Tortugas oil projects in Guatemala, following the drilling of Atzam #5.

For and on behalf of the Board

Brett Mitchell
Executive Director