

4 September 2013

ASX Announcement

## Atzam Project Update

- **Independent expert recommends Atzam #4 production rate of 466 bopd**
- **Atzam #4 well production continuing - good quality oil on restricted choke with no water produced to date and ongoing strong natural reservoir pressure**
- **Updated Reserve Report – Initial 1P reserves of 362,515 barrels for 6 foot producing section alone**
- **1P reserves to increase in excess of 500,0000 upon production of additional 7 foot C17 carbonate yet to be perforated**
- **Atzam oil field 20mmbbl 2C contingent resource estimate being reviewed with Atzam #4 success**
- **Significant exploration upside on Atzam block- unexplored salt dome and anticline structures**
- **Atzam #5 development well on schedule to spud in late September**
- **Construction of new Atzam tank facilities to commence**
- **Citation fully funded for the Atzam #5 development well and oil storage facility upgrades**

### Atzam Oil Project

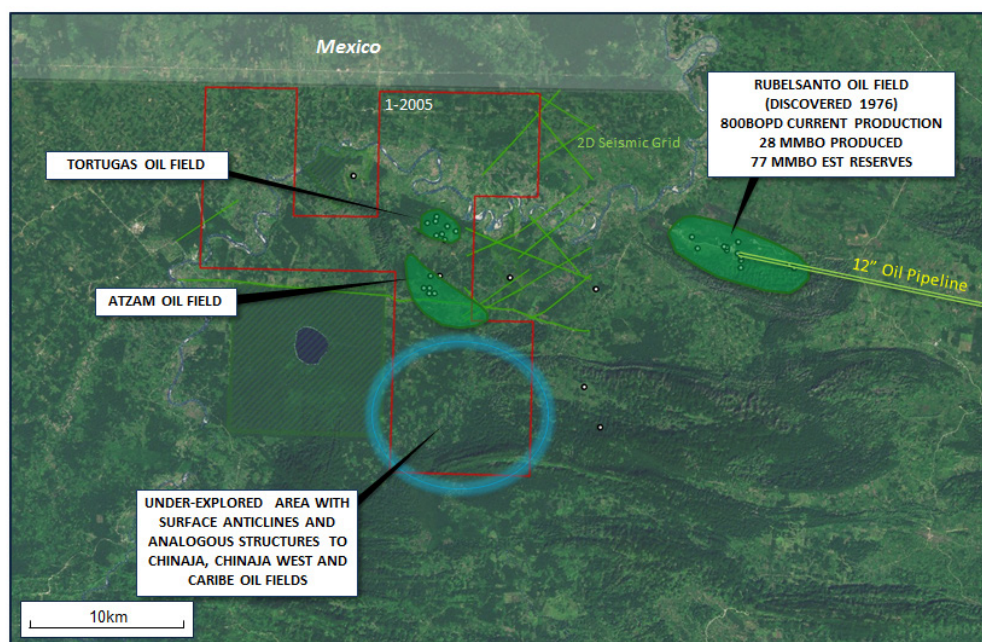
The Company is pleased to advise the Atzam #4 production well at the Atzam Oil Project in Guatemala (Citation 60% interest) has been performing strongly since being brought back onto production 2 weeks ago. The well has been producing on a highly restricted choke (currently 12/64 inch) over the past fortnight, with a maintained well head pressure in excess of 300 psi and still with no water production to date.

Independent reservoir engineers Ralph Davis have recommended that the well be produced at an optimal rate of 466 bopd, to achieve a maximum flow rate whilst maintaining the reservoir's structure and integrity.

The Operator (Latin American Resources) is continuing to produce the Atzam #4 well on a highly restricted choke due to the limited onsite tank storage capacity of 7,000 barrels. The Operator has planned to increase the choke over time to maintain the reservoir integrity in this initial production phase and to establish the optimal production rate for this producing C17 carbonate section, once the Atzam oil storage facilities are upgraded in the coming months.

The Operator estimates the producing 6 foot C17 carbonate section (2846-2852ft) 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. 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 being advanced by the Operator and is currently on schedule to be spudded in late September. The Atzam #5 will be drilled to target the same oil bearing carbonate structures that were encountered and are currently producing in the Atzam #4 well.



**Project Location and Exploration Potential**

#### Updated Atzam #4 Reserve Report- First 1P Reserves for Atzam Project

Independent Reservoir Engineers, Ralph E Davis (RED) from Houston, have completed an updated Atzam #4 well independent reserve report, producing an initial proven reserve (1P) of 362,515 barrels for the producing 6 foot section of the C17 carbonate section alone.

The adjacent 7 foot section in the C17 carbonates is still to be brought onto production, and this would be converted into 1P reserves once this occurs, taking the 1P reserve estimate in excess of 500,000 bbls for 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 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:

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

<b>Proved + Probable Gross Oil Volumes, Bbls</b>			
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
<b>Total Proved + Probable</b>	<b>1,541,840</b>	<b>1,927,301</b>	<b>2,312,759</b>



Individual reserve estimates are based upon analyses of those specific intervals with indications of hydrocarbons utilizing reservoir parameters based upon an evaluation of the well logs. An assignment of a 160 acre drainage area was utilized 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.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Brett Mitchell', is positioned above the printed name.

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.*