CITATION RESOURCES LTD AND ITS SUBSIDIARIES

Financial Report 2013

ABN 90 118 710 508

Citation Resources Ltd
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Corporate Directory

Citation Resources Ltd ABN 90 118 710 508

Directors

Mr Brett Mitchell – *Appointed on 24 November 2011*
Executive Director

Mr Michael Curnow – *Appointed on 4 April 2012*
Non-Executive Director

Ms Sophie Raven – *Appointed on 13 December 2012*
Non-Executive Director

Mr Domenic Martino – *Resigned on 13 December 2012*
Non-Executive Chairman

Company Secretary
Ms Sophie Raven – *Appointed on 30 November 2011*

Registered and Business Office
Level 7, 1008 Hay Street

Perth WA 6000

Bankers
Bankwest
108 St Georges Terrace, Perth, WA 6000

Share Registrar
Security Transfer Registrars Pty Limited
770 Canning Highway, Applecross WA 6953

Auditors
Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road, West Perth WA 6005

Internet Address
www.citation.net.au

ASX Ticker Code
CTR, CTRO

Operations Report

Highlights for 2013

- Acquisition of Citation Resources Pty Ltd completed
- Successful drilling and testing of Atzam #4 appraisal well- C17 carbonate zone production commenced in June 2013
- Citation now owns a 60% interest in the Atzam and Tortugas Oil Fields
- Atzam #4 well on continuous production - good quality oil (38° API) on restricted choke with no water produced to date
- Atzam #4 Reserve Report – Initial 1P reserves of 362,515 barrels for 6 foot producing section alone, to increase in excess of 500,0000 upon production of additional 7 foot C17 section
- 20 million barrel contingent resource for Atzam Oil Field
- Atzam #5 development well on schedule to spud in October
- Reserve and Resource upgrades scheduled following testing of Atzam #5
- Significant exploration upside on Atzam block- unexplored salt dome and anticline structures

Acquisition of 60% Equity Interest in Latin American Resources

In July 2012, the Company entered into an agreement to acquire Citation Resources Pty Ltd, and its right to acquire a 70% interest in Latin American Resources Ltd (Bahamas) which owns the oil and gas exploration and development block in Guatemala (1-2005) that contains the Atzam and Tortugas Oil Projects. The acquisition was approved by shareholders at a general meeting on 6 September, 2012.

Over the past financial year the Company has funded, together with financing assistance from its major shareholder Range Resources Ltd (Range), the operations of Latin American Resources Ltd (LAR), which owns and is operator of the Atzam and Tortugas Oil Projects in Guatemala on Block 1-2005. The financing provided to LAR was used for the drilling, testing and operating activities of the Atzam #4 well and related operations. Following the production success of the Atzam #4 well and satisfying the LAR funding obligations under the earn-in agreement, Citation now holds a direct 60% equity interest in LAR.

Following the decision to drill the Atzam #5 development well, the Company issued the remaining consideration shares to the Citation Resources vendors (Milestone 1 and 2 securities) and executed a debt conversion agreement with Range, under which the total loans and interest owed to Range are being converted into direct equity in the Company and the transfer of a 10% working interest in LAR. Following the conversion of the loans, which will be completed in a two stage process, Range will hold an approximate 19% shareholding in Citation and a 20% shareholding in LAR. As a result, Citation is debt-free and retains its 60% equity interest and is the major shareholder of LAR.

Atzam Oil Project

At the start of June 2013, Latin American Resources (Operator) commenced flow testing operations on the Atzam #4 well on the C17 carbonate section. On 3 June 2013 the Company announced significant initial production from a perforated 6 foot section in the Upper C17 carbonates (2,846-2,852ft) unassisted over a 24 hour period, producing a 610 bopd average rate over this initial production period without acid washing or assistance through well swabbing. The well continued to produce strongly and tested at a rate equivalent to an excess of 1,000 bopd through the initial 48 hours of testing, until the well was shut in to run a series of pressure tests over this producing zone.

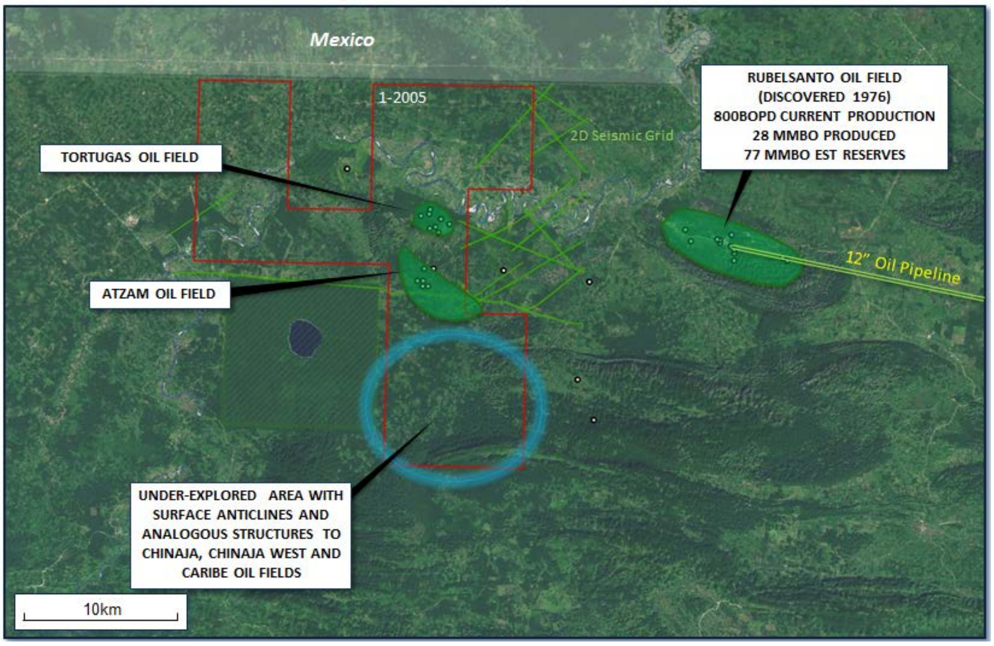
Operations Report

Over the past few months and following completion of a detailed reservoir pressure testing program, the Atzam #4 well has continued to produce good quality 38°API oil on a highly restricted choke (between 8-12/64 inch), with the production rate planned to be significantly increased once the well stabilises, and current onsite tank storage capacity and transport logistics are resolved through offtake contracts. Latin American Resources is in advanced negotiations with a number of oil companies on short term and long term offtake contracts for the Atzam #4 oil production, and for future production from Atzam #5.

Importantly this C17 production continues from natural reservoir pressures and without assistance from a submersible pump, which is normally used for producing these carbonate sections, and without any water production to date.

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 October 2013. 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 total 1P and 2P reserves for the well are in excess of 2.3m barrels.

There is an untested 7 foot section in the C17 carbonates that sits above the producing zone and is still to be bought 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.

Operations Report

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 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.

Tortugas Salt Dome Project

The Company is currently advanced with operational planning with LAR, Operator of Block 1-2005, to complete 2 well re-entries on the Tortugas Salt Dome structure in 2014. The well re-entries on two 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. In the mid 80's, 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 ft., with the majority of the other wells having oil shows in multiple zones.

Corporate Update

The Company announced in August 2013 it had completed its $6,000,000 capital raising to sophisticated investors to fund the next phase of the operations on 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.

Operations Report

Board and Management Changes

In December 2012, Mr Domenic Martino announced his intention to resign as Non-Executive Chairman, in order to focus on other business interests. Ms Sophie Raven was appointed to the Board of Directors following Mr Martino's resignation.

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.

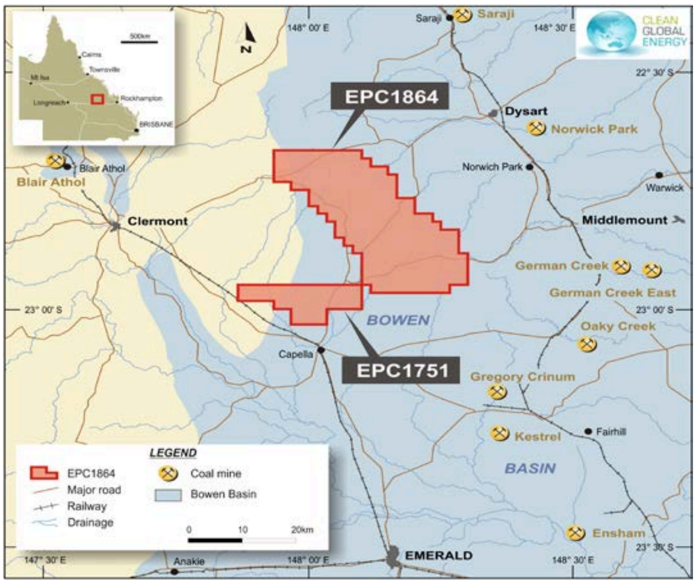
Coal Tenement Evaluation and Update

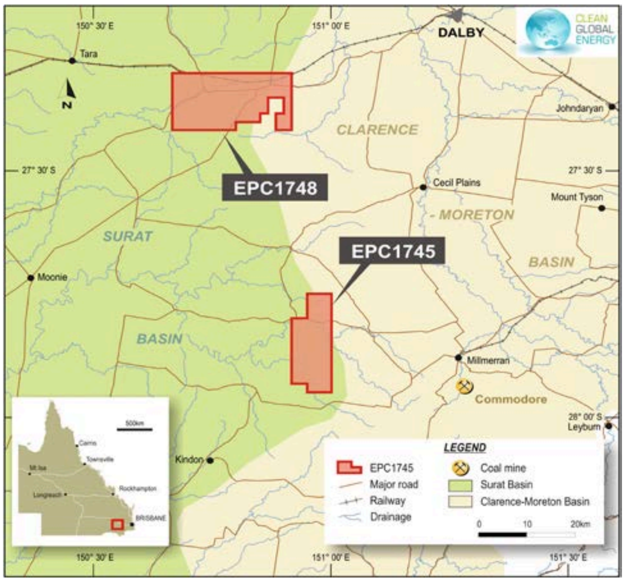
The Company holds four conventional coal tenements in Queensland which it considers prospective for exploration, with two tenements located in each of the Surat Basin (EPC 1748, EPC 1745) and the Bowen Basin (EPC 1751, EPC 1864). The details of the coal tenements are:

Tenement	Project Name	Basin	Holder/Applicant	Status (Expiry Date)	No. Sub-blocks	Commodity Targeted
EPC1751	Capella	Bowen	Clean Global Operations Pty Ltd	18/02/2015	37	Semi-soft/PCI
EPC1864	Pumpkin Hill	Bowen	Clean Global Operations Pty Ltd	18/02/2015	171	Semi-soft/PCI
EPC1748	Kumbarilla	Surat	Clean Global Operations Pty Ltd	10/10/2016	94	Thermal Coal
EPC1745	Western Creek	Surat	Clean Global Operations Pty Ltd	13/12/2014	52	Thermal Coal

The exploration program during the year focussed on technical reviews as well as preparing the permits for exploration activities to be undertaken

All four tenements remain in good standing with the Queensland Department of Natural Resources and Mines, with the Company setting aside sufficient funds to meet the required work commitments.





Directors' Report

The Directors present their report of Citation Resources Ltd for the year ended 30 June 2013.

The consolidated entities referred to hereafter as the Company consist of Citation Resources Ltd and the entities controlled during and at the end of the period.

Principal Activities

The principal activity of the Company is the exploration and development of oil and gas blocks in Guatemala and evaluating other complementary oil and gas opportunities.

Company Information

Citation Resources Ltd is a Company limited by shares, which is incorporated and domiciled in Australia.

Significant Changes in the State of Affairs

Other than the activities referred to in the above Operations Report, as at the date of this report, no transaction or event of a material and unusual nature has been finalised which is likely, in the opinion of the Directors, to significantly affect the operations of the Company, the results of the operations, or the state of affairs of the Company in future financial years.

The Board will continue to review potential areas of activity that may create additional value to the Company. The Board will keep shareholders informed of any significant developments.

Financial Result

The consolidated loss of the Group for the year ended, 30 June 2013, amounted to $517,003 (2012: loss $1,595,661).

Dividends

No dividends have been paid or declared and no dividends have been recommended by the Directors.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under S237 of the *Corporations Act 2001*.

Environmental Regulation and Performance

Exploration and development activities in Australia are subject to State and Federal laws, principally the *Environmental Protection Act* and associated regulations in each State of operation. The Company has a policy of complying with its environmental performance obligations, and during the reporting period, there have been no significant known breach of statutory conditions or obligations.

Directors' Report

Directors

The following persons were Directors of Citation Resources Ltd during the financial year:

Domenic Martino	Appointed 9 October 2009; resigned 13 December 2012
Brett Mitchell	Appointed 24 November 2011 as Non-Executive Director; appointed as Executive Director 17 February 2012
Sophie Raven	Appointed 30 November 2011 as Company Secretary; appointed as Non-Executive Director 13 December 2012
Michael Curnow	Appointed 4 April 2012

Information on Current Directors

Mr Brett Mitchell - Executive Director

Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries. He has been involved in the founding, financing and management of both private and publicly-listed resource companies and holds executive and non-executive directorship roles. Mr Mitchell is a partner in Verona Capital, a private minerals focused venture capital and project generation business.

Mr Mitchell holds a Bachelor of Economics from the University of Western Australia. During the three year period to the end of the financial year, Mr Mitchell has been a Director of Transerv Energy Ltd, Wildhorse Energy Ltd, Tamaska Oil and Gas Ltd, and Erin Resources Ltd. He is also a member of the Australian Institute of Company Directors (AICD).

Mr Michael Curnow - Non-Executive Director

Mr Curnow brings extensive experience in the resources sector in gold, platinum and mineral sands exploration to the Company. He has been involved in the ownership and management of a wide range of businesses in South Africa and Australia. He was a founding director of Gallery Gold Ltd and AGR Ltd. Mr Curnow is also founding Director of Adamus Ltd (Mongolia), Gallery Gold Ltd (Botswana), and Adamus Ltd (Ghana), with all three currently in production. Mr Curnow is currently a Non-Executive Director of ASX listed African Energy Resources Ltd and Energy Ventures Ltd.

Mr Curnow serves on the following Boards:

Current Executive Director – Citation Resources Ltd (ASX: CTR)
Current Executive Director – African Energy Resources Ltd (ASX: AFR)
Current Director – Energy Ventures Ltd (ASX: EVE)

Ms Sophie Raven - Non-Executive Director

Ms Raven has practised corporate law for over 20 years in Australia, Chile and the Cayman Islands. Upon graduating in 1991 from the University of Western Australia with a Bachelor of Laws degree, Ms Raven joined Freehills, one of the largest law firms in Australia, and was admitted to practice law as a solicitor and barrister in 1993. Ms Raven moved to Chile in 1995 where she worked at Montt y Cia S.A., a medium-sized law firm, as the firm's foreign legal associate from 1995 to 1997 and as a partner from 1997 to 2001. Ms Raven moved to the Cayman Islands in 2001 where she practised until early 2005 as a Corporate Attorney at a local law firm, specialising in the structuring of different types of investment funds and other investment vehicles, and generally advising and acting for investment fund managers, fund administrators and instructing law firms. In June 2006, Ms Raven joined Superfund Group Monaco SAM as Legal Counsel, and since January 2007 has been a Non-Executive Director for the Superfund group of investment companies' offshore funds. Ms Raven is currently also the Company Secretary for the Company, as well as for Wildhorse Energy Limited, an ASX and AIM listed company, Transerv Energy Limited, and Cradle Resources Limited, all ASX listed companies.

Company Secretary Information

Ms Sophie Raven - Appointed on 30 November 2011

See above for Ms Raven's biography.

Indemnification of Directors and Officers

Throughout the reporting period the Company has maintained Directors' and Officer's insurance for the purpose of covering losses which Directors and Officers may become legally obligated to pay. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under insurance contract.

In accordance with the Constitution, except as may be prohibited by the *Corporations Act 2001* every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

Meetings of Directors

During the period, five meetings of Directors were held. Attendances were as follows:

Director	Number of meetings held while a director	Number of meetings attended while a director
Brett Mitchell	5	5
Michael Curnow	5	5
Sophie Raven [1]	4	4
Domenic Martino [2]	1	1

[1] Appointed 13 December 2012
[2] Resigned 13 December 2012

Directors' Interests

Issued Shares

At the date of report, the beneficial interests of each past and current Director during the financial year in the issued share capital of the Company were:

Director	Held at 1 July 2012	Issued	Other changes	Sold	Held at the date of this report
Brett Mitchell	-	-	-	-	-
Michael Curnow	-	500,000	-	-	500,000
Sophie Raven [1]	-	250,000	-	-	250,000
Domenic Martino [2]	7,833,333	-	-	(7,833,333)	-
Total	7,833,333	750,000	-	(7,833,333)	750,000

[1] Appointed 13 December 2012
[2] Resigned 13 December 2012

Listed Options (CTROA)

The listed options (CTROA) exercisable at $0.07 expired on 31 July 2013.

Mr Brett Mitchell held 5,000,000 CTROA until their expiry on 31 July 2013.

Directors' Report

Listed Options (CTRO)

At the date of report, the number of listed $0.04 options (CTRO) issued to or acquired by each past and current Director during the financial year were:

Director	Held at 1 July 2012	Issued	Other changes	Sold	Held at the date of this report
Brett Mitchell	-	15,000,000	-	-	15,000,000
Michael Curnow	-	2,000,000	-	-	2,000,000
Sophie Raven [1]	-	2,125,000	-	-	2,125,000
Domenic Martino [2]	-	-	-	-	-
Total	-	19,125,000	-	-	19,125,000

[1] Appointed 13 December 2012

[2] Resigned 13 December 2012

These options expire on 15 December 2015 and have an exercise price of $0.04. There are no other vesting conditions in relation to these options.

Unissued Shares Under Option

As at 18 September 2013, the Company has 221,750,000 listed $0.04 options (CTRO) on issue.

Remuneration Report (Audited)

The goals of the Company's remuneration policy are to:

- Ensure that reward for performance is competitive and that employees are committed and motivated;
- Align executive compensation with achievement of strategic objectives and the creation of value for shareholders; and
- Comply with relevant legislation and general market remuneration practices.

Executive Directors

Executive Directors are entitled to receive a Base Fee. Remuneration for Executive Directors is benchmarked against a comparable pool of companies and is determined by the Board. As the Company is still in the exploration and development stage and is not making profits, there is no relationship between executive director remuneration and Company performance.

Non-Executive Directors

Non-Executive Directors are entitled to receive a Base Fee. Remuneration for Non-Executive Directors is benchmarked against a comparable pool of companies and reviewed on an annual basis. Remuneration is determined by the Board and takes into consideration the need to obtain suitably qualified independent Directors.

Remuneration of Non-Executive Directors is approved by the Board and set in aggregate with the maximum amount approved by the shareholders.

The Key Management Personnel of the Company include the Executive and Non-Executive Directors, and the Company Secretary. The Company does not consider other executives to be Key Management Personnel.

The Key Management Personnel of the Company during the financial year are:

- Brett Mitchell, Executive Director - appointed 24 November 2011
- Michael Curnow, Non-Executive Director - appointed 4 April 2012
- Sophie Raven, Non-Executive Director - appointed 13 December 2012 and Company Secretary appointed 30 November 2011
- Domenic Martino, Non-Executive Chairman - resigned 13 December 2012

Details of Remuneration

2013	Short Term Employee Benefits (Cash Salary and Fees)	Post-Employment Benefits (Superannuation)	Termination Benefits (Superannuation Benefits)	Share Based Payment Options Benefits	Total
Directors					
Brett Mitchell	266,000	-	-	195,000	461,000
Michael Curnow	36,000	-	-	26,000	62,000
Sophie Raven[1]	64,500	-	-	26,000	90,500
Domenic Martino[2]	18,000	-	-	-	18,000
Total	384,500	-	-	247,000	631,500

[1] Appointed 13 December 2012
[2] Resigned 13 December 2012

2012	Short Term Employee Benefits (Cash Salary and Fees)	Post-Employment Benefits (Superannuation)	Termination Benefits (Superannuation Benefits)	Share Based Payment Options Benefits	Total
Directors					
Brett Mitchell	88,000	-	-	-	88,000
Michael Curnow	9,000	-	-	-	9,000
Alison Coutts	167,373	11,772	96,674	-	275,819
Michael Green	73,682	-	43,214	-	116,896
Wayne Rossiter	67,846	-	-	-	67,846
Domenic Martino	54.697	4,923	-	-	59,620
Key Management					
Sophie Raven	24,750	-	-	-	24,750
Andrew Whitten	71,818	-	-	-	71,818
Total	557,166	16,695	139,888	-	713,749

No portion of remuneration was performance based in the reporting period.

Details of Employment Agreements

The Directors are retained by the Company and are paid a fixed fee for their services. No termination benefits exist.

Non-Executive and Executive Director tenure is subject to rotation and shareholder re-appointment.

The Company Secretary is a consultant engaged by the Company. No termination benefits exist, other than the contractually-agreed notice period specified in the relevant consultancy agreement.

This is the end of the Audited Remuneration Report

Directors' Report

Matters Subsequent to the End of the Financial Year

Between the end of the financial period and the date of this report the following events have occurred:

1. Expiry of Listed Options (CTROA)

On 31 July 2013, the listed options (CTROA) exercisable at $0.07 expired.

2. Conversion of Loans into Ordinary Shares

In June 2013 and subsequent to year end a short term working capital facility of $990,000 was provided to the Company by unrelated third party lenders, with such loan convertible into ordinary shares at $0.01 per share. Following the conversion of the loan into ordinary shares, 99,000,000 ordinary shares were issued by the Company on 31 July 2013 to the third party lenders.

3. Capital Raising

In August 2013, the Company completed a capital raising from sophisticated and professional investors in the amount of $6,000,000, through the issue of 300,000,000 ordinary shares at $0.02 each. The capital raising is to provide funding for the immediate work programs for the Atzam Oil Project, being the drilling and completion of the Atzam #5 development, increasing the onsite oil storage facilities, and augmenting general working capital. The corresponding 150,000,000 free attaching $0.04 listed options are to be issued immediately following shareholder approval granted at the Company's General Meeting which was held on 25 September 2013.

4. Issue of Milestone Securities and Debt Conversion

The Company announced on 21 August 2013 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.

5. Acquisition of 70% equity interest in Latin America Resources Ltd

In July 2012, the Company entered into an agreement to acquire Citation Resources Pty Ltd, and its right to acquire a 70% interest in Latin American Resources Ltd (Bahamas) (LAR) which owns the oil and gas exploration and development block in Guatemala (1-2005) that contains the Atzam and Tortugas Oil Projects.

During the financial year ended, the Company funded, with financing assistance from its major shareholder Range Resources Ltd (RRS), the operations of Latin American Resources (LAR) for the drilling, testing and producing of the Atzam #4 well and related operations. Through the production success of the Atzam #4 well and satisfying the funding requirements for LAR, subsequent to year end, Citation earned its direct 70% interest in LAR. Through a subsequent debt settlement agreement with Range, Citation retains a 60% interest in LAR and is now debt free.

The completion of the above transaction is pursuant to the following executed agreements:

Binding Term Sheet between Citation Resources Limited, Citation Resources Aus Pty Limited (CRA), Range Resources Limited (Range) and CRA Shareholders dated 3 July 2012 (Term Sheet);

The letter agreement dated 4 July 2012 pursuant to which Range assigned to CRA the right to acquire a 70% interest in Latin American Resources Ltd (LAR) through meeting funding obligations on the LAR Guatemalan Oil Projects; and

The Investment Management Agreement dated April 2013 (IMA) executed by the Parties and LAR, superseding the letter agreement dated 4 July 2012 in specifying the terms and conditions on which CRA has the right to acquire the 70% interest in Latin American Resources Ltd.

Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the Board supports and adhere to the principals of corporate governance, and has adopted a set of policies for the purpose of managing this governance.

Directors' Report

Non-Audit Services

The Board has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

During the financial period there were no fees paid or payable for non-audit services provided by the auditor.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, for the financial year ended 30 June 2013 has been received and be found on page 13.

This report is signed in accordance with a resolution of the Directors.

Brett Mitchell
Executive Director
27 September 2013, at Perth, Western Australia

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Auditor's Independence Declaration
To the Directors of Citation Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Citation Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 27 September 2013

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 30 June 2013

	Note	CONSOLIDATED 2013	CONSOLIDATED 2012
		$	**$**
Revenue		42,074	131,638
Other income		677,451	484,220
Total revenue and other income	**4**	**719,525**	**615,858**
Accounting and audit		(36,145)	(71,130)
Professional and consultancy fees		(186,736)	(818,729)
Share based payment expense		(247,000)	-
Directors fees		(339,500)	(199,569)
Depreciation	5	(5,182)	(16,325)
Employee costs	5	(147,508)	(718,606)
Regulatory expenses		(62,273)	(47,335)
Interest expense		(5,467)	(913)
Corporate and administrative expenses	5	(206,431)	(338,795)
Total expenses		**(1,236,242)**	**(2,211,402)**
Loss before tax		**(516,717)**	**(1,595,544)**
Net foreign exchange loss		(286)	(117)
Net loss before tax		**(517,003)**	**(1,595,661)**
Income tax expense	6	-	-
Loss for the year		**(517,003)**	**(1,595,661)**
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		(517,003)	(1,595,661)
Loss attributable to owners of Citation Resources Ltd		**(517,003)**	**(1,595,661)**
Total comprehensive loss attributable to owners of Citation Resources Ltd		**(517,003)**	**(1,595,661)**
Loss per share attributable to owners of the company:			
Basic and diluted loss per share (cents per share)	7	(0.15)	(0.70)

The above statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	511,727	2,593,937
Other receivables	9	38,162	54,518
Total current assets		549,889	2,648,455
Non-Current Assets			
Property, plant and equipment	10	2,008	5,399
Exploration and evaluation expenditure	11	11,002,344	501,031
Total non-current assets		11,004,352	506,430
Total assets		11,554,241	3,154,885
LIABILITIES			
Current Liabilities			
Trade and other payables	12	116,665	266,444
Borrowings	13	4,298,309	-
Total current liabilities		4,414,974	266,444
Net assets		7,139,267	2,888,441
EQUITY			
Contributed equity	14a	17,819,929	13,882,100
Options reserve	14b	983,220	400,220
Share based payment reserve	14c	247,000	-
Accumulated losses	15	(11,910,882)	(11,393,879)
Total equity		7,139,267	2,888,441

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

CONSOLIDATED EQUITY 30 JUNE 2013	Issued Capital	Option Reserve	Share based payment reserved	Accumulated Losses	Total Equity
	$	**$**	**$**	**$**	**$**
At 1 July 2012	13,882,100	400,220	-	(11,393,879)	2,888,441
Loss for the year	-	-	-	(517,003)	(517,003)
Shares issued during the period	4,133,501	-	-	-	4,133,501
Share issue costs	(195,672)	-	-		(195,672)
Issue of share options	-	583,000	-	-	583,000
Share based payment expense	-	-	247,000		247,000
At 30 June 2013	17,819,929	983,220	247,000	(11,910,882)	7,139,267

CONSOLIDATED EQUITY 30 JUNE 2012	Issued Capital	Option Reserve	Share based payment reserved	Accumulated Losses	Total Equity
	$	**$**	**$**	**$**	**$**
At 1 July 2011	13,876,317	-	-	(9,798,218)	4,078,099
Loss for the year	-	-	-	(1,595,661)	(1,595,661)
Shares issued during the period	5,783	-	-	-	5,783
Issue of share options	-	453,144	-	-	453,144
Share option issues costs	-	(52,924)	-	-	(52,924)
At 30 June 2012	13,882,100	400,220	-	(11,393,879)	2,888,441

The above statement in changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	CONSOLIDATED 2013	CONSOLIDATED 2012
		$	$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,123,843)	(2,321,978)
Interest received		42,700	130,874
Interest paid		-	(48,700)
Receipts for security deposits		5,000	13,901
R&D Government incentives		444,784	141,049
Net cash outflow from operating activities	16	(631,359)	(2,084,854)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,792)	(725)
Proceeds from sales of property, plant and equipment		-	1,000
Payments for exploration, evaluation and development expenditure [(i)]		(3,784,000)	(116,904)
Proceeds from sale of exploration tenements		-	522,000
Net cash (outflow) / inflow from investing activities		(3,785,792)	405,371
Cash flows from financing activities			
Proceeds from issue of shares/share options		2,530,613	453,144
Share / share options issue costs		(195,672)	(52,924)
Repayment of borrowings		(350,000)	(600,000)
Proceeds from borrowings		350,000	-
Net cash inflow/(outflow) from financing activities		2,334,941	(199,780)
Net decrease in cash and cash equivalents		(2,082,210)	(1,879,263)
Cash and cash equivalents at the beginning of the financial year		2,593,937	4,473,200
Cash and cash equivalents at the end of the financial year	8	511,727	2,593,937

[(i)] During the year, the Group acquired oil and gas exploration assets with an aggregate cost of $8.8m of which $5m was funded through finance assistance from the Group's major shareholder Range Resources Limited. Refer to note 26 for subsequent settlement of the outstanding loan.

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Corporate Information

The financial statements of Citation Resources Ltd for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of Directors on 27 September 2013 and covers the consolidated entity consisting of Citation Resources Ltd and its subsidiaries (the Group) as required by the Corporations Act 2001.

Citation Resources Ltd (Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. Summary of Significant Accounting Policies

In order to assist in the understanding of the financial statements, the following summary explains the material accounting policies that have been adopted in the preparation of the financial statements.

(a) Basis of Preparation

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Statement of Compliance

The financial statements comply with Australian Accounting Standards and, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Going Concern

The Group has incurred a net loss after tax for the year ended 30 June 2013 of $517,003 (2012: $1,595,661) and has experienced net cash outflows from operating activities of $631,359 (2012: $2,084,854). As at the 30 June 2013, the Group reported a net working capital deficiency of $3,865,085.

The Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.
Subsequent to year end, the Company completed a capital raising from sophisticated and professional investors in the amount of $6,000,000 net of capital raising costs, through the issue of 300,000,000 ordinary shares at $0.02 each. The capital raising is to provide funding for the immediate work programs for the Atzam Oil Project, being the drilling and completion of the Atzam #5 development, increasing the onsite oil storage facilities, and augmenting general working capital. With further planned expenditures on the Guatemalan Projects, the Board has sought additional funding (refer to note 26 Subsequent Events with regards to details of future funding requirements).

(d) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Citation Resources Ltd as at 30 June 2013 and the results of all subsidiaries for the year then ended. Citation Resources Ltd and its subsidiaries together are referred to in the financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

(d) Principles of Consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Functional and presentation currency

The financial statements are prepared in Australian Dollars which is the functional and presentation currency of the Company.

(e) Impairment of Assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

(f) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss statement during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset which is estimated to vary between 3 and 5 years.

(g) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

(g) Income Tax (continued)

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity respectively.

(h) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a net basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Exploration and Evaluation Expenditure

The Group's policy with respect to exploration and evaluation expenditure is to use the area of interest method. Under this method exploration and evaluation expenditure is carried forward on the following basis:

1. Each area of interest is considered separately when deciding whether, and to what extent, to carry forward or write off exploration and evaluation costs.
2. Exploration and evaluation expenditure related to an area of interest is carried forward provided that rights to tenure of the area of interest are current and that one of the following conditions is met:
    - such evaluation costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
    - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise, economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs accumulated in respect of each particular area of interest include only net direct expenditure.

(j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

(k) Joint ventures

As at the end of the reporting period the Group was not a party to any joint venture arrangements.

(l) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(m) Employee Entitlements

The Group's liability for employee entitlements arising from services rendered by employees to the end of the reporting period, where material, are recognised in other payables. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs. Following the restructuring of the company in November 2011, and termination of employee agreements, there were no employee related liabilities at 30 June 2013.

(n) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating loss attributable to owners of the Group after income tax by the weighted average number of ordinary shares outstanding during the financial period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the period.

(o) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(p) Trade and Other Receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less a provision for impairment. Other receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

(q) Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(r) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Acquisition of Assets

The acquisition method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued and liabilities assumed at the date of exchange. Where equity instruments are issued in an asset acquisition, the value of the equity instruments is the published market price as at the date of the exchange unless it can be demonstrated that the published price at the date of the exchange is an unreliable indicator of the fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the statement of comprehensive income.

(t) New Accounting Standard and Interpretations

(i) New accounting standards and interpretations not yet adopted

The following new accounting standards and interpretations have been issued or amended and are applicable to the annual financial statements of the Group, but are not yet effective. These accounting standards have not been adopted in the preparation of the financial statements.

- AASB 9 - Financial Instruments: Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2015.
- AASB 10 - Consolidated Financial Statements: Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:
  - Power over investee (whether or not power used in practice);
  - Exposure, or rights, to variable returns from investee;
  - Ability to use power over investee to affect the Citation's returns from investee; and
  - Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.

  The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2013.
- AASB 11 - Joint arrangements: Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2013.
- AASB 12 - Disclosure of Interests in Other Entities: Combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.). The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2013.

(t) New Accounting Standard and Interpretations (continued)

- AASB 13 - Fair value measurement: AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments. The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2013.

- AASB 119 - Employee Benefits: Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability. The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2013.

- AASB 2011-4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements: Amendments to remove individual key Management Personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporation Act 2001. The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2013.

- Interpretation note 20 - Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met. The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2013.

- AASB 2012-5 - Annual Improvements to Australian Accounting Standards 2009-2011 Cycle. Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32). The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2013.

- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – "*Offsetting Financial Assets and Financial Liabilities*"

  AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities, on the entity's financial position, when the offsetting criteria of ASB 132 are not all met. The group has not yet made an assessment of the impact of these amendments. The application date is 1 January 2013.

- AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039 AASB 2012-9 amends AASB 1048 Interpretations of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia. The group has not yet made an assessment of the impact of these amendments. The application date is 1 January 2013.

- AASB 1053 Application of Tiers of Australian Accounting Standards

  This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

  a) Tier 1: Australian Accounting Standards

  b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements

  Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

  The following entities apply Tier 1 requirements in preparing general purpose financial statements:

(t) New Accounting Standard and Interpretations (continued)

a) For-profit entities in the private sector that have public accountability (as defined in this standard)

b) The Australian Government and State, Territory and Local governments.

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

a) For-profit private sector entities that do not have public accountability

b) All not-for-profit private sector entities

c) Public sector entities other than the Australian Government and State, Territory and Local governments.

Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.

The application date is 1 January 2013.

- AASB 2012-3 Amendments to Australian Accounting Standards –Offsetting Financial Assets and Financial Liabilities

  AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. The group has not yet made an assessment of the impact of these amendments. The application date is 1 January 2014.

- Interpretation 21 Levies This interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation. The group has not yet made an assessment of the impact of these amendments. The application date is 1 January 2014.

- IFRS - Mandatory Effective Date of IFRS 9 and Transition Disclosures. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required. The Group has not yet made an assessment of the impact of these amendments. The application date is 1 July 2015.

3. Critical Accounting Estimates And Judgements

In preparing these financial statements the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of Exploration and Evaluation Expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

In the future and this may lead to the subsequent impairment of the assets concerned.

Deferred Tax Assets

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

(ii) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. There were no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are.

4. REVENUE AND OTHER INCOME

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Revenue and other income is comprised as follows:		
Interest income	42,074	131,638
Sales of assets	-	484,220
Research and development rebate	444,784	-
Gain on loan conversion (refer note 14(1))	232,667	-
	719,525	615,858

5. EXPENSES

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Loss includes the following specific expenses:		
Depreciation expense		
Plant and equipment	5,182	16,325
Total depreciation	5,182	16,325
Employee expenses		
Superannuation	-	47,709
Wages and salaries	177,750	622,994
Payroll tax	(16,583)	30,417
Workers compensation	(13,659)	11,942
Recruitment fees	-	5,544
Total employee costs	147,508	718,606
Office and administrative expenses		
Rent and occupancy	191,384	174,060
Other office expenses	15,047	164,735
Total office and administrative expenses	206,431	338,795

6. TAXATION

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Loss before income tax	(517,003)	(1,595,661)
Prima facie benefit on loss from continuing activities at 30% tax rate (2012: 30%)	(155,101)	(478,698)
Tax effect of amounts which are not deductible in calculating taxable income:		
Entertainment	1,997	700
Share based payment	74,100	-
Overseas travel	1,990	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	77,015	477,998
Total income tax expense	-	-
The following deferred tax balances have not been recognised:		
Deferred tax assets (at 30%):		
Carry forward revenue losses	3,540,047	3,213,351
Carry forward capital losses	1,410,543	1,410,543
Capital raising costs	153,362	153,362
Provisions and accruals	6,037	31,574
	5,109,989	4,808,830

The tax benefits of the Deferred Tax Assets will only be obtained if:

(a) The company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
(b) The company continues to comply with the condition for deductibility imposed by law; and
(c) No changes in income tax legislation adversely affect the company in utilising the tax benefits

	CONSOLIDATED 2013	CONSOLIDATED 2012
Deferred tax liabilities (at 30%):		
Exploration, evaluation and development costs	168,925	150,309
Accrued interest	282	470
	169,207	150,779

The above Deferred Tax Liabilities have not been recognised as they have given rise to carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

7. LOSS PER SHARE

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
(a) Basic earnings per share		
Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate basic earnings per share	517,003	1,595,661
(b) Diluted earnings per share		
Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate diluted earnings per share	517,003	1,595,661

	CONSOLIDATED 2013 Number of Shares	CONSOLIDATED 2012 Number of Share
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share	350,212,431	226,680,337
Loss per share attributable to owners of the company:		
Basic and diluted loss per share (cents per share)	(0.15)	(0.70)

Options being potential shares are not considered dilutive and have not been used to calculate diluted loss per share.

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Cash at bank	401,876	2,398,574
Short term deposits	109,851	195,363
	511,727	2,593,937

(a) Cash at Bank

Amounts held in the Group's cheque and online savings accounts attract variable rates commensurate with a business cheque and online savings account.

(b) Short Term Deposits

The Company holds the following short term deposits:

30 June 2013

Amount ($)	Term	Rate	Expiry
33,481	3 months	4.30%	12/07/2013
76,371	4 months	3.90%	14/08/2013
109,852			

8. CASH AND CASH EQUIVALENTS (CONTINUED)

30 June 2012

Amount ($)	Term	Rate	Expiry
55,518	3 months	5.05%	12/09/2012
72,962	4 months	5.30%	14/08/2012
66,883	3 months	5.30%	28/07/2012
195,363			

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Other receivables	24,075	18,757
Security deposits	7,700	23,057
GST receivable	6,387	12,704
	38,162	54,518

Security deposits are held by the Queensland Department of Mines and Energy. Other receivables are short term in nature and their carrying amount is assumed to approximate their fair value and no impairment is considered necessary.

10. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Plant and equipment		
- at cost	23,313	30,038
- accumulated depreciation	(21,305)	(24,639)
Total plant and equipment	2,008	5,399
Total property, plant and equipment	2,008	5,399

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

Reconciliation of the carrying amount of leasehold improvements		
Carrying amount at beginning of financial year	-	24,565
Additions	-	-
Disposal	-	(24,565)
Depreciation expense for the period	-	-
Carrying amount at end of financial year	-	-

Reconciliation of the carrying amount of plant and equipment:		
Carrying amount at beginning of financial year	5,399	32,070
Additions	1,792	725
Disposal	-	(11,071)
Depreciation expense for the period	(5,183)	(16,325)
Carrying amount at end of financial year	2,008	5,399

11. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Exploration and evaluation		
Balance at the beginning of the year (1)	501,031	422,613
Acquired during the period at fair value (2)	3,776,988	-
Exploration expenditure incurred	6,724,325	78,418
Exploration expenditure written off	-	-
Balance at the end of the year	11,002,344	501,031

(1) The balance carried forward represents capitalised exploration expenditure regarding areas of interest where either exploration activities are ongoing or where recoupment of exploration costs is expected through commercial development or exploitation or sale. The prior year capitalised expenditure comprises design and engineering of underground and surface facilities in relation to underground coal gasification and surface handling, treatment and storage of syngas product and a proportion of the allocated indirect costs of exploration.

(2) The acquisition relates to the interest acquired in the Atzam #4 Guatemala project through the acquisition of Citation Resources Aus Pty Ltd.

12. TRADE AND OTHER PAYABLES

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Trade payables	87,421	104,565
Other payables	29,244	161,879
Total trade and other payables	116,665	266,444

13. BORROWINGS

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Short term working capital facility(1)	3,948,309	-
Short term financing facility(2)	350,000	-
Total borrowings	**4,298,309**	**-**

30 June 2013

(1) The amount represents a short term working capital loan provided by Range Resources Limited (RRS) for funding well operations and working capital on the Atzam #4 well. Subsequent to year end the amount above and further loans outstanding post year end, the Company entered into this Loan Settlement Agreement (Settlement Agreement) to the effect that the loan was settled through the issue of shares, and 10% equity interest in subsidiary.

(2) Prior to 30 June 2013, the Company undertook a short term financing facility of up to $1,000,000 to provide working capital for the Company by entering into converting loans with a syndicate of lenders. As at 30 June 2013, a total of $350,000 was received and the principal terms of the financing facility are as follows:

13. BORROWINGS (CONTINUED)

(a) Term: 12 months commencing on 1 July 2013

(b) Maturity Date: 30 June 2014.

(c) Interest: No interest payable.

(d) Drawdown: within 3 business days or as extended by the Borrower.

(e) Conversion to Ordinary Shares in the Company: At the election of the Lender at any time following approval of the resolutions at the Company's shareholder meeting on 10 July 2013 and on or before the Maturity Date, the Lender's loan amount may be converted in full or part into Ordinary Shares in the Company at a conversion price of 1 cent per Share.

(f) Repayment: Prior to conversion of any of the Loans on or before the Maturity Date, the Borrower may elect to repay the Loans in full following completion of a successful debt or equity raising by the Company. At this time the Borrower will notify the Lender in writing of its decision to repay the Loans, and the Lender will have 5 business days to advise the Borrower of their intention to convert their loan amount to Ordinary Shares at the conversion price of 1 cent per share.

The amount of the loan drawn down on the short term finance facility was fully settled through conversion to equity. Refer note 26 for further details.

14. CONTRIBUTED EQUITY

(a) Ordinary Shares as at 30 June 2013

	2013	**2012**
	$	**$**
445,056,226 Fully paid ordinary shares (2012: 226,769,698)	17,819,929	13,882,100
Movements in shares on issue		
Movements in shares on issued		
Balance at 1 July	13,882,100	13,876,317
Shares issued during the year		
197,677 shares issued @ $0.029 to Gell Southham Group Pty Ltd	-	5,783
32,000,000 share placement issued @ $0.02	640,000	-
53,000,000 share issued @ $0.02 to Vendors of Citation Resources Aus Pty Ltd	1,060,000	-
30,000,000 share placement issued @ $0.02	600,000	-
8,750 options exercised @ $0.02	613	-
39,750,000 share placement issued @ $0.02	795,000	-
24,750,000 share placement issued @ $0.02	495,000	-
38,777,778 shares issued @ $0.014 to the conversion of loans from Range Resources Limited (RRS)[1]	542,889	-
Total shares issued	4,133,502	5,783
Less: capital raising costs	(195,673)	-
End of year	17,819,929	13,882,100

[1] The shares were issued to RRS @ $0.02 per share. The share price on the date of issue was $0.014 per share. As a result, a gain amounting to $232,667 is recognised in the statement of profit or loss and other comprehensive income.

14. CONTRIBUTED EQUITY (CONTINUED)

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Refer to note 26 Subsequent Events for details of shares issued subsequent to year end.

(b) Share Options as at 30 June 2013

	2013	2012
	$	$
354,702,160 options issued (2012: 226,572,021)	983,220	400,220
	-	-
Balance at 1 July	400,220	-
Options issued during the year		
226,572,021 options issued 2 $0.002	-	453,144
16,000,000 options issued as part of placement		
26,500,000 options issued as part of placement [2]	583,000	-
19,000,000 employee options issued (refer note 14c)	-	-
15,000,000 options issued as part of placement	-	-
8,750 options exercised	-	-
19,875,000 options issued as part of placement	-	-
12,375,000 options issued as part of placement	-	-
19,388,889 options issued as part of the conversion of loans from Range Resources Limited (RRS)	-	-
Total share options issued	583,000	453,144
Less: options issued cost	-	(52,924)
End of year	983,220	400,220

[2] Share options were issued to Vendor of Citation Resources Aus Pty Ltd on 19 September 2012, pursuant to shareholder approval at the General Meeting on 6 September 2012.

The fair value of the share options, at grant date is determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

14. CONTRIBUTED EQUITY (CONTINUED)

The following table lists the inputs to the model used for valuation of options:

Valuation Date	6 September 2012
Dividend yield (%)	Nil
Expected volatility (%)	128%
Risk-free interest rate (%)	3%
Expected life of option (days)	1,167
Option exercise price ($)	$0.04
Share price at grant date ($)	$0.018
Expiry date	15 December 2015
Performance conditions	none

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The probability of the performance conditions occurring was included in determining the fair value of the options.

As there are no vesting or exercise conditions and the options vest immediately, the full cost of the options have been recognised in share based payments for the period.

Number of options	26,500,000
Fair value per option	$0.022
Total value of the issue	**$583,000**

Refer to note 26 Subsequent Events for details of share options issued subsequent to year end.

(c) Share Based Payment Reserve

Share options were issued to Directors and the Company Secretary on 19 September 2012, pursuant to shareholder approval at the General Meeting on 6 September 2012.

The fair value of the share options, at grant date is determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following table lists the inputs to the model used for valuation of options:

Valuation Date	6 September 2012
Dividend yield (%)	Nil
Expected volatility (%)	128%
Risk-free interest rate (%)	3%
Expected life of option (days)	1,195
Option exercise price ($)	$0.04
Share price at grant date ($)	$0.02
Expiry date	15 December 2015
Performance conditions	none

occurring was included in determining the fair value of the options.

14. CONTRIBUTED EQUITY (CONTINUED)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The probability of the performance conditions

As there are no vesting or exercise conditions and the options vest immediately, the full cost of the options have been recognised in share based payments for the period.

Number of options	19,000,000
Fair value per option	$0.013
Total value of the issue	**$247,000**

(d) Capital Management

The group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the group manages its capital by assessing the group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

The group is not subject to any externally imposed capital requirements.

15. ACCUMULATED LOSSES

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Accumulated losses at the beginning of the financial year	(11,393,879)	(9,798,218)
Loss attributable to the owners of Citation Resources Ltd	(517,003)	(1,595,661)
Accumulated losses at the end of the financial year	(11,910,882)	(11,393,879)

16. CASH FLOW INFORMATION

(a) Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Loss for the year	(517,003)	(1,595,661)
Adjustments for non-cash movements:		
Profit from sales of tenements	-	(483,220)
Depreciation and amortisation	5,182	16,325
Exploration, evaluation and development expenditure	-	38,486
Share based payment expense	247,000	-
Accrued interest on convertible note right	-	(30,632)
Accrued interest on bank term deposit	-	1,639
Loan to subsidiary written off	(449)	-
Gain on loan conversion of issued share	(232,667)	
Change in operating assets and liabilities		
Decrease in trade and other debtors	16,356	103,445
Decrease in trade and other creditors	(149,778)	(135,236)
	(631,359)	(2,084,854)

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Short-term benefits	384,500	557,166
Post-employment benefits	-	16,695
Termination benefits	-	139,888
Share-based payment benefits	247,000	-
Total	631,500	713,749

(b) Equity Instrument Disclosures Relating to Key Management Personnel

Aggregate numbers of shares of the Group held directly, indirectly or beneficially by Directors of the Group during the financial year are set out below:

2013	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Citation Resources Ltd				
Brett Mitchell	-	-	-	-
Michael Curnow	-	-	500,000	500,000
Sophie Raven[1]	-	-	250,000	250,000
Domenic Martino[2]	7,833,333	-	(7,833,333)	-
	7,833,333	**-**	**(7,083,333)**	**750,000**

[1] Appointed 13 December 2013
[2] Resigned 13 December 2013

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

2012	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Clean Global Energy Limited				
Michael Curnow	-	-	-	-
Michael Green	6,386,335	-	(6,386,335)	-
Domenic Martino	7,833,333	-	(7,833,333)	-
Brett Mitchell	-	-	-	-
Alison Coutts	1,866,665	-	(1,866,665)	-
	16,086,333	**-**	**(16,086,333)**	**-**

(c) Other transactions with key management personnel

Other than in relation to directors fees as disclosed above there were no other transactions with key management personnel.

18. COMMITMENTS

(a) Tenement Expenditure Commitments

The minimum expenditure required on the exploration permits held are as follows:

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	**$**
No later than 1 year	4,458,750	452,500
Later than 1 year but not later than 5 years	465,000	923,250
Later than 5 years	-	-
	4,923,750	1,375,750

(b) Rental Commitments

Citation Resources Ltd had a lease commitment for office rental which expired on 13 April 2013.

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	**$**
No later than 1 year	-	96,741
	-	**96,741**

(c) Capital Commitments

Subsequent to 30 June 2013, and as indicated in the Operations Report, the Company's capital expenditure commitments as at 4 July 2012 are as follows:

Following the earn-in of the 70% LAR equity interest, Citation (60%) is now required to loan carry the 30% shareholders on total project funding on their 60% pro-rata shareholding (Range 10%) for a further US$12m. This loan carry amount has been significantly reduced from $18m in the original agreement, whilst retaining the $25m cap.

19. CONTINGENT ASSETS AND LIABILITIES

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Bank guarantee	76,371	64,658

The bank guarantee secured rent on the Company's previous office premises. The bank guarantee was cancelled and the funds paid back to the group on 15 August 2013.

20. RELATED PARTY TRANSACTIONS

(a) Parent Entities

The ultimate parent entity within the Group is Citation Resources Ltd, which at 30 June 2013 owns 100% of the issued ordinary shares of Citation Resources Operations Pty Ltd, incorporated in Australia, 100% of the issued ordinary shares of Citation Resources Inc, incorporated in the U.S and 100% of the issued ordinary shares of Citation Resources Aus Pty Ltd (formerly called Citation Resources Pty Ltd), incorporated in Australia.

(b) Transactions with Related Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(d):

Name of entity	Country of Incorporation	Class of shares	Equity holding 2013	Equity holding 2012
Parent Entity:				
Citation Resources Limited				
Subsidiaries of Citation Resources Limited:				
Citation Resources Operations Pty Ltd	Australia	Ordinary	100%	100%
Citation Resources Inc[1]	USA	Ordinary	100%	100%
Citation Resources Aus Pty Ltd (formerly Citation Resources Pty Ltd.)[2]	Australia	Ordinary	100%	-

[1] There has been no activity in Citation Resources Inc in the current year.
[2] Citation Resources Aus Pty Ltd was acquired on 1 October 2012.

Entity	Relationship	Amount owed 30-Jun-13 $	Amount owed 30-Jun-12 $
<u>*Subsidiaries of Citation Resources Limited*</u>			
Citation Resources Operations Pty Ltd	A wholly owned subsidiary	4,216,010	4,034,778
Citation Resources Inc.	A wholly owned subsidiary	-	-
Citation Resources Aus Pty Ltd (formerly Citation Resources Pty Ltd.)	A wholly owned subsidiary acquired during the year	8,803,094	-

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 17.

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with other Related Parties

Directors and officers or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial and operating policies of those entities.

Details of those transactions at the end of the year are as follows:

Entity	Note	Nature of transactions	Transactions Full year 30-Jun-13 $	Transactions Full year 30-Jun-12 $	Balances Full year 30-Jun-13 $	Balances Full year 30-Jun-12 $
Transerv Energy Ltd	(i)	Reimbursement to/from CTR for corporate administration costs	753	34	29	17
Erin Resources Limited	(ii)	Reimbursement to/from CTR for corporate administration costs	7,619	-	731	-
Wildhorse Energy Ltd	(iii)	Reimbursement to/from CTR for corporate administration costs	-	41,796	-	-
Tamaska Oil & Gas Limited	(iv)	Reimbursement to/from CTR for corporate administration costs	3,886	2,616	7,252	1,896
Sibella Capital Pty Ltd	(v)	Reimbursement to/from CTR for corporate administration costs	(19,208)	-	482	-

(i) Transerv Energy Limited (TSV) is a company associated with Mr Brett Mitchell and Ms Sophie Raven. Mr Mitchell was a director of TSV until 21 August 2013, and Ms Raven is the current Company Secretary of TSV.
(ii) Erin Resources Limited (ERI) is a company associated with Mr Brett Mitchell, who is currently a director of ERI.
(iii) Wildhorse Energy Limited (WHE) is a company associated with Mr Brett Mitchell, who is currently a director of WHE, and Ms Sophie Raven, who is currently the company secretary of WHE.
(iv) Tamaska Oil and Gas Limited (TMK) is a company associated with Mr Brett Mitchell, who is currently a director of TMK.
(v) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.

21. REMUNERATION OF AUDITORS

	CONSOLIDATED 2013 $	CONSOLIDATED 2012 $
Amounts due and receivable by Grant Thornton Australia		
Audit and audit review services	36,145	15,000

22. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

The group holds the following financial instruments:

	CONSOLIDATED 2013	CONSOLIDATED 2012
	$	$
Financial Assets		
Cash and cash equivalents	511,727	2,593,937
Loans and receivables	38,162	54,518
Financial liabilities		
Trade and other payables	116,665	266,444
Borrowings	4,298,309	-

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents.

The Group is in early exploration stages, so there are no significant concentrations of credit risk. The Group ensure the use of leading investment institutions in terms of managing cash.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Cash flow and interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk. The Group has therefore, assessed its interest rate risk as low.

The following sets out the Group's exposure to interest rate risk:

2013	Floating interest rate $	1 year or less $	Over 1 to 5 years $	Non interest bearing $	Total $	Weighted average interest rate %
Financial assets						
Cash at bank	401,875	401,875	-	-	401,875	1.43%
Short term deposits	109,851	109,851	-	-	109,851	4.10%
Security deposits	-	-	7,700	7,700	7,700	-
Financial liabilities						
Borrowings	-	4,298,309	-	4,298,309	4,298,309	-

2012	Floating interest rate $	1 year or less $	Over 1 to 5 years $	Non interest bearing $	Total $	Weighted average interest rate %
Financial assets						
Cash at bank	2,398,574	2,398,574	-	-	2,398,574	2.55%
Short Term deposits	195,363	195,363	-	-	195,363	5.22%
Security deposits	-	-	23,057	23,057	23,057	-
Financial liabilities						
Borrowings	-	-	-	-	-	-

The Group has minimal exposure to interest rate risk other than reductions/increases in interest earned should the rates decrease/increase respectively. As an indication of possible sensitivity to changes in interest rates a 1% movement in interest rates, would increase/decrease the annual amount of interest received by $4,019 (2012: $24,074).

Fair Value Estimation

The fair value of financial assets and financial liabilities are assumed to approximate their carrying values due to their short term nature.

23. SEGMENT INFORMATION

Management has determined the operating segments are based on reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors considers the business from a geographic perspective and have identified the below reportable segments:

Geographical Segment	30 June 2013			
	$	$	$	$
	Latin America	Australia	Unallocated/Eliminations and Corporate	Consolidated
Results				
Income	-	336	719,189	719,525
Loss for the period	(6,832)	(966)	(509,205)	(517,003)
Comprehensive loss for the period	(6,832)	(966)	(509,205)	(517,003)
Assets				
Segment assets	9,855,813	570,782	1,127,646	11,554,241
Total assets	9,855,813	570,782	1,127,646	11,554,241
Liabilities				
Segment liabilities	8,803,094	4,216,010	(8,604,130)	4,414,974
Total liabilities	8,803,094	4,216,010	(8,604,130)	4,414,974
Other Segment Information				
Depreciation	-	-	5,182	5,182
Impairment of exploration	-	-	-	-

24. PARENT ENTITY

The following information relates to the parent entity, Citation Resources Ltd. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

	PARENT 2013	PARENT 2012
	$	$
Current assets	542,188	2,758,313
Non-current assets	10,448,102	4,507,498
Total assets	10,990,290	7,265,811
Current liabilities	4,414,973	266,442
Non-current liabilities	-	-
Total liabilities	4,414,973	266,442
Contributed equity	27,041,872	23,104,045
Accumulated losses	983,220	(16,987,771)
Options reserve	729,875	400,220
Share-based payment reserve	(22,179,650)	482,875
Total Equity	6,575,317	6,999,369
Loss for the year	(5,191,878)	(1,357,294)
Other comprehensive income	-	-
Total comprehensive income for the year	(5,191,878)	(1,357,294)

The Parent entity has not entered into any guarantees, has no contingent liabilities or contractual commitments.

25. DIVIDENDS

There were no dividends paid or declared by the Group during the year.

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

Between the end of the financial period and the date of this report the following events have occurred:

i) Expiry of Listed Options (CTROA)

On 31 July 2013, the listed options (CTROA) exercisable at $0.07 expired.

ii) Conversion of Loans into Ordinary Shares

In June 2013, a short term working capital facility of $990,000 was provided to the Company by unrelated third party lenders, with such loan convertible into ordinary shares at $0.01 per share. Following the conversion of the loan into ordinary shares, 99,000,000 ordinary shares were issued by the Company on 31 July 2013 to the third party lenders.

iii) Capital Raising

In August 2013, the Company completed a capital raising from sophisticated and professional investors in the amount of $6,000,000, through the issue of 300,000,000 ordinary shares at $0.02 each. The capital raising is to provide funding for the immediate work programs for the Atzam Oil Project, being the drilling and completion of the Atzam #5 development, increasing the onsite oil storage facilities, and augmenting general working capital. The corresponding 150,000,000 free attaching $0.04 listed options are to be issued immediately following shareholder approval at the Company's General Meeting to be held on 25 September 2013.

iv) Issue of Milestone Securities and Debt Conversion

The Company announced on 21 August 2013 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.

v) Acquisition of 70% equity interest in Latin America Resources Ltd

In July 2012, the Company entered into an agreement to acquire Citation Resources Pty Ltd, and its right to acquire a 70% interest in Latin American Resources Ltd (Bahamas) (LAR) which owns the oil and gas exploration and development block in Guatemala (1-2005) that contains the Atzam and Tortugas Oil Projects.

During the financial year ended, the Company funded, with financing assistance from its major shareholder Range Resources Ltd (RRS), the operations of Latin American Resources (LAR) for the drilling, testing and producing of the Atzam #4 well and related operations. Through the production success of the Atzam #4 well and satisfying the funding requirements for LAR, subsequent to year end, Citation earned its direct 70% interest in LAR. Through a subsequent debt settlement agreement with Range, Citation retains a 60% interest in LAR and is now debt free.

The completion of the above transaction is pursuant to the following executed agreements:

a. Binding Term Sheet between Citation Resources Limited, Citation Resources Aus Pty Limited (CRA), Range Resources Limited (Range) and CRA Shareholders dated 3 July 2012 (Term Sheet);
b. The letter agreement dated 4 July 2012 pursuant to which Range assigned to CRA the right to acquire a 70% interest in Latin American Resources Ltd (LAR) through meeting funding obligations on the LAR Guatemalan Oil Projects; and
c. The Investment Management Agreement dated April 2013 (IMA) executed by the Parties and LAR, superseding the letter agreement dated 4 July 2012 in specifying the terms and conditions on which CRA has the right to acquire the 70% interest in Latin American Resources Ltd.

26. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

The acquisition of the 70% equity interest in LAR was for a purchase consideration of $8,880,779 comprising:

- the issue of 318,660,487 ordinary shares
- the issue of 59,500,000 free attaching share options
- Issue of a 10% interest in LAR

The initial acquisition of the 70% equity interest in LAR will be accounted for as an asset acquisition as LAR does not meet the definition of a business under the Australian Accounting Standard AASB 3 "Business Combinations".
The whole purchase consideration is allocated to oil and gas properties and exploration and evaluation expenditure.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date.

1. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in pages 9 to 10 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2013, comply with section 300A of the *Corporations Act 2001.*

4. The directors have been given the declarations as required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Brett Mitchell
Executive Director

27 September 2013, at Perth, Western Australia

Grant Thornton

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Independent Auditor's Report
To the Members of Citation Resources Limited

Report on the financial report

We have audited the accompanying financial report of Citation Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion the financial report of Citation Resources Limited is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

iii the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualification to the audit opinion expressed above, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $517,003 during the year ended 30 June 2013 and, as of that date, the consolidated entity recorded a deficiency of net current assets totalling $3,865,085 and reported operating cash outflows totalled $631,359. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 9 to 10 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Citation Resources Limtied for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 27 September 2013

Corporate Governance Statement

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition).

In 2010, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website: www.citationresources.com.au

1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1**: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

1.2 The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Executive Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:-

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Executive Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - Organizational performance and the achievement of strategic goals and objectives
  - Compliance with the Company's code of conduct
  - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;

- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

The Executive Director is responsible for the ongoing management of the Company's operations and report to the Board. He is accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. The Executive Director's performance is reviewed on a regular basis by the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the board should be independent directors.
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

2.2 The Company's practice:

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has two independent, non-executive Directors.

Corporate Governance Statement

Composition

The directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives.

The term in office held by each director in office at the date of this report is as follows and details of the professional skills and expertise of each of the directors are set out in the Directors' Report.

Name	Position	Term in Office
Domenic Martino	Non-Executive Chairman	3 years (resigned on 13 December 2012)
Brett Mitchell	Executive Director	21 months
Michael Curnow	Non-Executive	17 months
Sophie Raven	Non-Executive	9 months (appointed 13 December 2012)

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

Nomination committee

The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Monitoring of Board Performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendation 2.4 as outlined.

3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1**: Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the company's integrity
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 3.2**: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

3.2 The Company's practice:

Ethical Standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Diversity Policy

The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Gender Diversity

As a priority, the Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

Women Employees, Executives and Board Members

The Company and its consolidated entities have three (3) female employees/executives:

- its Company Secretary;
- its Financial Controller; and
- an Executive Assistant,

which represent approximately 60% of the total number employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company. Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2**: The audit committee should be structured so that it:
  - consists only of non-executive directors
  - consists of a majority of independent directors
  - is chaired by an independent chair, who is not chair of the board
  - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

Corporate Governance Statement

4.2 The Company's practice:

Audit Committee

The Board has not established a separate audit committee and as such has not complied with Recommendation 4.1 & 4.2. The duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, due to the size and current operations of the Company.

- The processes the Board applies in performing this function include:-reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The board, consisting of members with financial expertise and detailed knowledge and experience of the oil and gas exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and Financial Controller declared in writing to the Board that the Company's financial reports for the year ended 30 June 2013 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.3 and 4.4. The Company is not compliant with Recommendations 4.1 and 4.2 as outlined.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.

- **Recommendation 5.1**: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

5.2 The Company's practice:

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Therefore to meet this obligation the Company undertakes to:

(a) Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;

(b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and

(c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Executive Director and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Executive Director and the Company Secretary**,** including:

(d) Media releases;

(e) Analyst briefings and presentations; and

(f) The release of reports and operational results.

Continuous disclosure is a standing agenda item for all Board meetings.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

Corporate Governance Statement

6.2 The Company's practice:

Shareholder Communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:-

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The board should require management to design and implement a risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

Corporate Governance Statement

7.2 The Company's practice:

RISK MANAGEMENT

Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

Oversight of the Risk Management System

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Executive Director has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

Corporate Governance Statement

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1**: The board should establish a remuneration committee.
- **Recommendation 8.2**: The remuneration committee should be structured so that it:
  - consists of a majority of independent directors
  - is chaired by an independent chair
  - has at least three members
- **Recommendation 8.3**: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

8.2 The Company's Practice:

Remuneration Committee

The Company does not currently have a separate remuneration committee and as such has not complied with Recommendation 8.1 or Recommendation 8.2. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

Remuneration Policies

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Director and the executive team (if applicable). The Board may engage external consultants for independent advice in the future as it deems necessary.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and senior executives emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and Motivation of senior executives
2. Attraction of quality management to the Company
3. Performance incentives (if appropriate) which allow executives to share the rewards of the success of the Company

Remuneration of Non-Executive Directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the Remuneration Report on pages 9 to 10 above. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.3 and Recommendation 8.4 and is not compliant with Recommendation 8.1 or Recommendation 8.2 as outlined.