

31 October 2014

ASX Announcement

## September 2014 Quarterly Activity Report

- **Atzam #4 produced over 14,042 barrels for the September quarter – from a single 7 foot interval in the C17 carbonate section.**
- **Atzam #4 production continues at approximately 170 bopd- from natural reservoir pressure only (no downhole pump), nil water production to date.**
- **Atzam #4 is production continues on a highly restricted choke to maintain the reservoir integrity.**
- **Atzam #5 well successfully drilled to 4,025 feet, high on structure to the producing Atzam #4 well (~66 feet) and Atzam #2 (~320 feet).**
- **Multiple oil and gas shows encountered at surface whilst drilling through carbonate intervals.**
- **Electric log analysis identifies multiple potential commercial pay zones in Atzam #5 still untested- from the C13 to the C17 carbonates inclusive.**
- **Atzam #5 testing program is ongoing- multiple potential pay zones still to be tested**

### Atzam Oil Project – Drilling Atzam #5

Citation Resources Ltd (ASX: CTR) (**Company or Citation**) continued with the Atzam #5 well testing operations during the September quarter, focused on establishing a potential commercial production zone in the well from the C18 and C19 carbonates.

The well was successfully drilled to a total depth of 4,025 feet and encountered multiple potential pay zones from the C13 to the C19 carbonates, with significant oil shows to surface and fluorescence in the drill cuttings in some of the target carbonate sections. The well was successfully cased down to 3,600 feet, with the final 425 feet left as an open hole section.

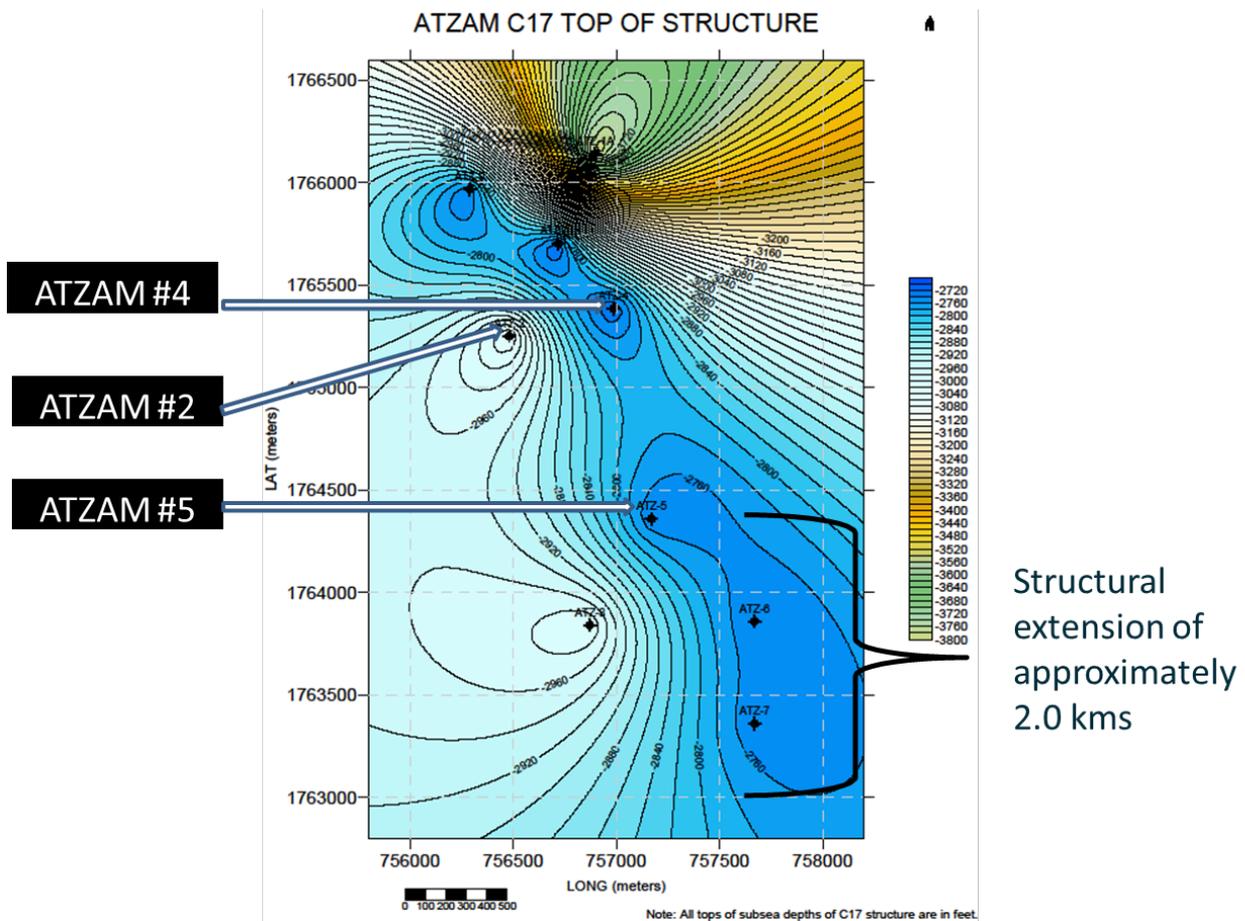
Initial testing operations focused on the open hole section of the well, testing the lower C18 and C19 carbonates from below the final casing point at 3,600 feet. During August the Atzam #5 testing operations commenced on the C18 carbonate sections in the cased section of the well, starting from around 3,500 feet. The Operator sourced and installed a larger 7 inch perforation gun during the quarter for running the perforations during the remainder of the testing program. This tool enables more of the targeted carbonate sections to be opened up to the wellbore, helping evaluate the true commercial flow rate potential of each zone.

The Atzam 5 testing program is still in its early phases, with the C13-C17 carbonate sections all currently remaining untested. The electric logs analysis, combined with the significant oil shows from multiple zones whilst drilling, outline the commercial potential in the well from the C13 carbonates down to the C18 carbonate structures delineated in the Atzam #5 well.

All potential commercial pay zones will be perforated and tested as part of this ongoing program, until a zone produces at material commercial rates. On success such a zone would then be put on production, like the C17 producing zone in Atzam #4 that continues to produce under natural reservoir pressure at approximately 170 bopd.

### Atzam #5 drilling indicates upside potential

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



**Figure 1: Re-interpretation of Atzam Structure on the top of the C-17 Horizon Post Atzam #5 Drill**

### Atzam 5 Reserves Report Summary

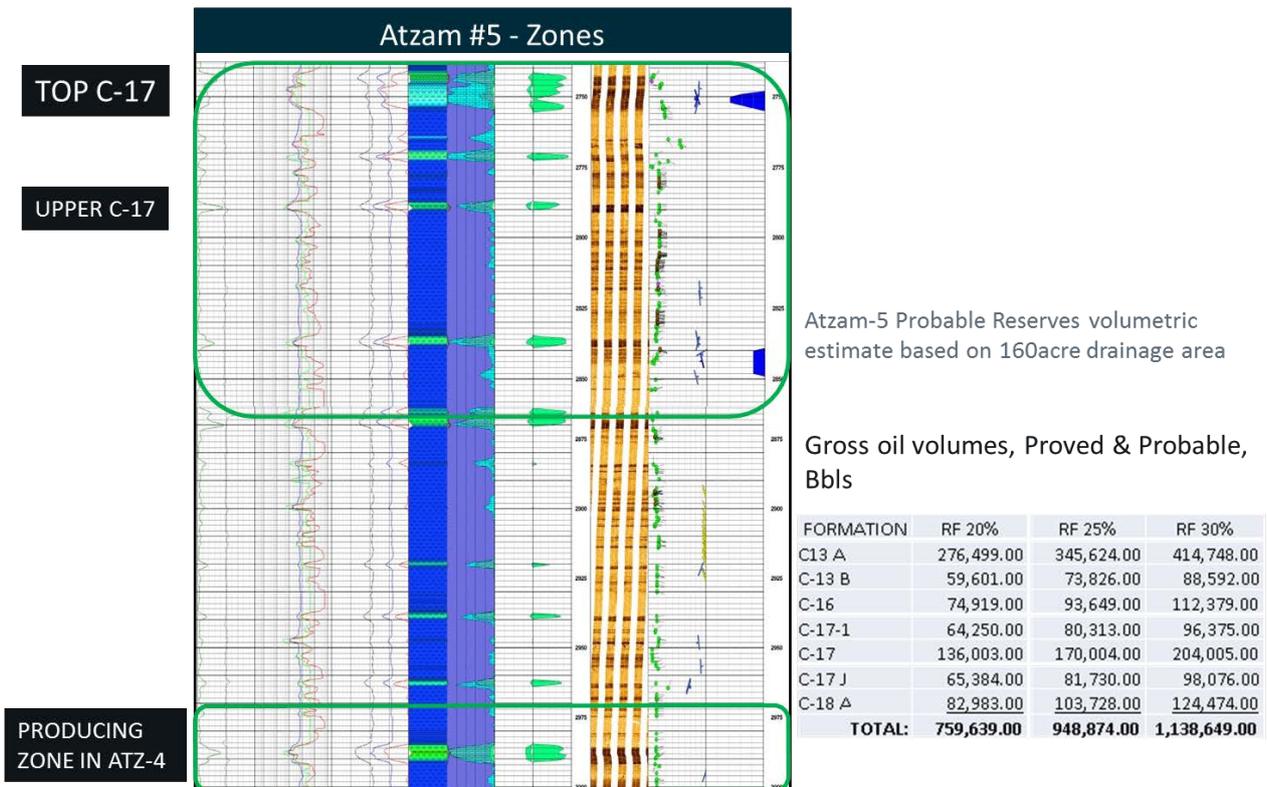
Following completion of the drilling operations at Atzam #5, the Operator ran a full suite of electric logs from the first carbonate sections intersected down to the well's total depth of 4,025 feet. Leading global oilfield services firm Schlumberger completed an independent review of the electric logs run across all carbonate sections in Atzam #5. The full suite of logging data and reports from Schlumberger were passed onto the Operator and Ralph E Davis, Houston compiled an independent report for the Operator on the estimated reserves in the Atzam 5 well.

In the Atzam #5 reserve report, Ralph E. Davis has estimated the Proved (1P) and Proved plus Probable Reserves (2P) for several zones in the Atzam #5 well in the Atzam Field located in Coban, Guatemala. Production and well data from analogous wells in the area was also used to compare with the petrophysical results. Other thin zones that may be productive were not included due to the lack of tests. If these thin zones test productive, they can be added.

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 below, detailing the 2P reserve estimates.

Formation: Zone	Proved + Probable Gross Oil Volumes, Bbls		
	RF 20%	RF 25%	RF 30%
C-13 A	276,499	345,624	414,749
C-13 B	59,601	73,826	88,592
C-16	74,919	93,649	112,379
C-17-1	64,250	80,313	96,375
C-17	136,003	170,004	204,005
C-17J	65,384	81,730	98,076
C-18 A	82,983	103,728	124,474
<b>Total Proved + Probable</b>	<b>759,639</b>	<b>948,874</b>	<b>1,138,650</b>

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.

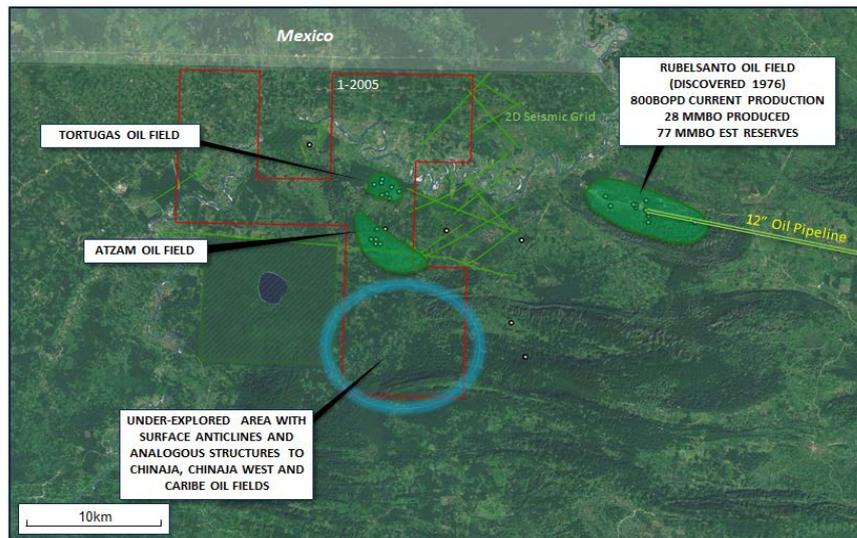


**Figure 2: Atzam-5 Log Results**

## Tortugas Salt Dome Project

The Operator, Latin American Resources, continues advance operational plans to commence the 2 initial well re-entries on the Tortugas Salt Dome structure. Successful well re-entries on these first two planned Tortugas wells, 63-4 and 63-5, are expected to produce between 200-300 bopd each of high quality 34°API oil based on historical flow rates and production profiles. In the mid 80s, two wells flowed oil at initial rates over 1,500 bopd, however were subsequently suspended.

The Tortugas Salt Dome structure is a suspended oil field, with Monsanto having drilled 17 wells on the structure including wells for both sulphur and oil. One of the wells (T9B) experienced an oil blowout at approx. 1,500 feet, with the majority of the other wells having oil shows in multiple zones.



**Project Location and Exploration Potential**

For and on behalf of the Board

### Competent Person Statement

*The information included in this Announcement that relates to resources was prepared by Mr Allen L. Kelley, who is an executive with Ralph E. Davis Associates, Inc. based in Houston, Texas. Mr Kelley has over 30 years of oil and gas experience and is a Certified Petroleum Geologist (Certificate Number 6092). Mr Kelley is a member of the American Association of Petroleum Geologists, Houston Geological Society, and the Society of Petroleum Engineers. In addition Mr Kelley has been a contributing member of the Potential Gas Committee for over 20 years holding positions of Eastern Region Vice President, Chairman of the Gulf Coast and Atlantic Committees and currently is on the Editorial Committee and Chairman of the Alaska Committee. Estimates as to recoverable hydrocarbon volumes contained in this Announcement are based upon certain assumptions. Accordingly, actual results will differ, and may differ significantly and materially, from those presented.*

## Appendix 5B

### Mining exploration entity quarterly report

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

Name of entity

CITATION RESOURCES LIMITED

ABN

90 118 710 508

Quarter Ended ("Current Quarter")

30 September 2014

#### Consolidated Group statement of cash flows

		Current Quarter \$A'000	Year to Date (3 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	1,125	1,125
1.2	Payments for (a) exploration & evaluation	(1,095)	(1,095)
	(b) development	(100)	(100)
	(c) production	(889)	(889)
	(d) administration & staff	(482)	(482)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Research & Development Government Rebate)	-	-
	<b>Net Operating Cash Flows</b>	<b>(1,437)</b>	<b>(1,437)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loan repayment	-	-
1.11	Prepayment on Exploration Costs – Working Capital Loan repayable by Range Resources Ltd	-	-
1.12	Working capital loan repaid by Range Resources Ltd	-	-
	<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,437)</b>	<b>(1,437)</b>

1.13	Total operating and investing cash flows (brought forward)	<b>(1,437)</b>	<b>(1,437)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(200)	(200)
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	-	-
	<b>Net financing cash flows</b>	<b>(200)</b>	<b>(200)</b>
	<b>Net (decrease) increase in cash held</b>	<b>(1,637)</b>	<b>(1,637)</b>
1.20	Cash at beginning of quarter/year	2,106	2,106
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>469</b>	<b>469</b>

**Payments to directors of the entity and associates of the directors**

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

		Current Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions.

**Non-cash financing and investing activities**

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

Nil

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

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount Available \$A'000	Amount Used \$A'000
3.1 Loan facilities	1,500	1,500
3.2 Credit standby arrangements	-	-
3.3 Convertible note	-	-

#### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and Evaluation	300
4.2 Development	-
4.3 Production	750
4.4 Administration	350
<b>Total</b>	<b>1,400</b>

#### Reconciliation of cash

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

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	434	2,072
5.2 Deposits at call	35	34
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>469</b>	<b>2,106</b>

#### Changes in interests in mining tenements

	Tenement Reference	Nature of Interest (note (2))	Interest at beginning of quarter	Interest at end of Quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A	N/A	N/A

6.2 Interests in mining tenements acquired or increased

N/A	N/A	N/A	N/A
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**Issued and quoted securities at end of current quarter**

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

	Total Number	Number Quoted	Issue Price per Security (see note 3) (cents)	Amount Paid Up per Security (see note 3) (cents)
7.1 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	1,389,665,067	1,389,665,067		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	90,000,000 n/a	90,000,000 n/a	n/a n/a	n/a n/a
7.5 <b>*Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	491,214,750 8,750,000	482,464,750	Exercise Price \$0.04 \$0.015	Expiry Date 15 December 2015 17 June 2017
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				

Compliance statement

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



**Brett Mitchell**  
Executive Director

Date: 31 October 2014

**Notes**

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