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29 October 2014

ASX Announcement

## **Annual Report & Notice of Annual General Meeting**

Please find attached the Company's Annual Report and Notice of Annual General Meeting as despatched to shareholders of the Company together with the proxy form.

For and on behalf of the Board

Brett Mitchell  
**Executive Director**



# **CITATION**

RESOURCES

CITATION RESOURCES LTD AND ITS SUBSIDIARIES

## **ANNUAL REPORT 2014**

ABN 90 118 710 508

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**Citation Resources Ltd**

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## **CORPORATE DIRECTORY**

**Citation Resources Ltd ABN 90 118 710 508**

### **Directors**

Mr Brett Mitchell  
Executive Director

Mr Michael Curnow  
Non-Executive Director

Mr Peter Landau – *Appointed on 7 February 2014*  
Non-Executive Director

Ms Sophie Raven – *Appointed on 13 December 2012 / Resigned on 7 February 2014*  
Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **Company Secretary**

Mr Anthony Eastman – *Appointed co-Company Secretary 22 August 2014*

Mr Henry Roberts – *Appointed co-Company Secretary 22 August 2014*

Ms Sara Kelly – *Appointed on 7 February 2014 / Resigned 22 August 2014*

Ms Sophie Raven – *Appointed on 30 November 2011 / Resigned on 7 February 2014*

### **Registered and Business Office**

Ground Floor, 1 Havelock Street  
West Perth WA 6005

### **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.citationresources.com.au](http://www.citationresources.com.au)

### **ASX Ticker Code**

CTR, CTRO

Dear Shareholder,

I am pleased to present the 2014 Annual Report for Citation Resources Limited ("Citation" or "the Company").

Over the past twelve months, the Company has continued to focus on the development of its oil and gas interests in Guatemala, highlighted with the successful drilling of the Atzam #5 well and the consistent production achieved from the Atzam #4 well in excess of 150 barrels of oil per day. As a result, our investment focus will continue with the development of the Atzam and Tortugas Projects and other complimentary assets.

The Atzam #4 well continues to produce at approximately 170 barrels of oil per day from a single 6 foot perforated carbonate section, on a highly restricted choke under natural reservoir pressure, with nil associated water to date. Production has reached an optimal rate production level of circa 170 bopd which maximises the reservoir's integrity and productivity. These results continue to reinforce the reservoir quality of the C17 carbonate section.

With the drilling of the Atzam #5 well successfully completed, the Company commenced testing operations which are still currently ongoing. Given the results from the Schlumberger log analysis and the significant oil shows seen from the multiple zones which are analogous to the zones in the successful Atzam #4 well, the Atzam project partner are confident it will be a producing well. Despite the delays in the completion of the testing program, the Company remains extremely confident in the production potential of this Atzam #5 well.

Following on from the successful completion of the Atzam #5 testing program, the next planned step in the development of the Guatemala asset is for the re-entry of the two Tortugas wells, 63-4 and 63-5, with indications of potential flow rates to be between 200-300 bopd of high quality 34° API oil based on historical flow rates and production profiles.

From a corporate perspective, the Company is continuing advanced discussions with strategic financing partners to provide cornerstone funding for the future planned work programs across the Atzam and Tortugas Oil Fields, whilst also looking at further opportunities in the oil and gas space to increase shareholder value.

I would like to thank my fellow Board members, employees and consultants who have made significant contributions over the past 12 months.

On behalf of the Board of Directors, we sincerely thank all of the Company's shareholders for their continued support and patience over the past 12 months and we are encouraged by the exciting prospects the Company has in front of it for the coming year.

A handwritten signature in black ink, appearing to read 'Brett Mitchell', with a stylized flourish at the end.

**Brett Mitchell**  
**Executive Director**

## OPERATIONS REPORT

### Highlights for 2014

- Atzam #4 produced over 47,000 barrels for the year – from only a single 7ft interval in the C17 carbonates
- Atzam #4 producing at strong flow rates on a restricted choke (18/64 inch) from natural reservoir pressure only – no water production to date
- Atzam #5 well successfully drilled to 4,025 feet during the year (cased to 3,600 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
- Schlumberger log analysis confirms multiple potential commercial pay zones from the C13 to the C18 carbonate section
- Atzam #5 testing program commenced in June 2014 and is ongoing
- Log analysis indicates highly fractured potential reservoir sections – fracturing in carbonates provides assistance to flow rates

### Atzam Oil Project

#### Atzam 4 – Production Well

The Atzam #4 well continued to produce 37- 38°API oil during 2014 on a highly restricted choke (currently 18/64 inch), with an average production rate of approximately 135 bopd during the 10 month period ended 30 June 2014, which includes downtime for well head maintenance and regular pressure testing. Total production for the year exceeded 47,000 barrels, with the Operator (Latin American Resources (“LAR”)) continuing to complete regular oil sales with Perenco Guatemala. The well is currently producing at an average monthly rate of 170 bopd.

After completing reservoir pressure testing programs during the year, LAR increased the Atzam #4 production rate to maximise the flow rate and revenue stream to the project, whilst maintaining the integrity of the producing C17 carbonate structure. During the year the choke was increased to 20/64 inches and flow rate increased up to 200 bopd. But this increased the gas production with the increased oil flow rate and the independent advice was not to increase the choke size or flow rate further. Importantly the well continued to produce 100% oil with no associated water from natural reservoir pressure at the increase flow rate. The continuing production on a restricted choke without assistance from a submersible pump is a strong indication of the quality of this C17 reservoir section.



**Figure 1: Atzam #4 Well Head - Commencement of Production, August 2013**

LAR undertook sales contracts on all Atzam #4 oil production during 2014 to Perenco Guatemala, and is in current negotiations with oil companies on strategic offtake contracts for the Atzam #4 oil production, which would be undertaken following the anticipated increase in total project production from a producing Atzam #5 well.

## OPERATIONS REPORT

### Atzam #5 Successfully Drilled and Completed - Testing Program Underway

In January 2014 LAR, spudded the Atzam #5 well with their Harold Lee 500 drill rig. The Atzam #5 well location is approximately 1km to the south-east of the Atzam #4 production well, with the well located and designed to test the same carbonate reservoir intervals that were intersected and produced oil shows in the Atzam #4 wellpet.



**Figure 2: Rigged up on Atzam #5 location**

During the 2014 year the Company successfully completed the drilling of the Atzam #5 well at the Atzam Oil Project in Guatemala, and commenced the well testing operations to establish the most commercial production zone in the well. The well was successfully drilled to a total depth of 4,025 feet and encountered multiple potential pay zones, with significant oil shows to surface and fluorescence in the cuttings from drilling through the targeted carbonate sections. The well was cased down to 3,600 feet with the final 425 feet left as a open hole section for testing.

The initial testing operations commenced on the open hole section with the lower C18 and C19 carbonates from below the final casing point at 3,600 feet. The Atzam #5 well intersected a major salt plug between the lower C18 and C19 carbonates which was assessed to compromise the initial flow testing operations. As a result the Operator laid cement plugs in the well bore to seal off the salt lens intersected. Testing then moved to the lower C18 carbonates in Atzam #5 located above the cement plugs in the open hole section, but to date this section has not produced a strong commercial flow rate.

After sealing the C19 section with cement plugs, the Atzam #5 testing operations focus on the C18 carbonate sections located in the cased section of the well, starting from around 3,500 feet. The Operator is using a larger 7 inch perforation gun for the remainder of the program, which will enable 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 testing program will move up the wellbore to test each prospective section located behind the production casing identified from the detailed log data.



## OPERATIONS REPORT

The Schlumberger logs analysis, combined with the significant oil shows from multiple zones whilst drilling, detail the commercial potential in the well from the C13 carbonates down to the C18 carbonate structures delineated in the Atzam #5 well. All these 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.

### Independent Atzam 5 Reserves Report

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 its 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 Davis to complete independent reports for the Company on the estimated reserves in the Atzam 5 well, and an updated resource report for the Atzam Oil Field. The report is currently pending.

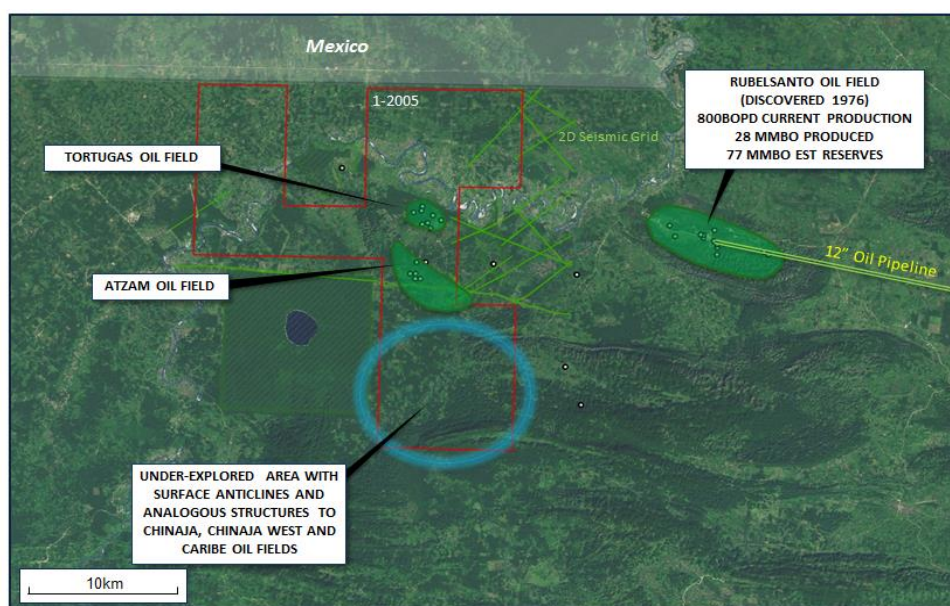
### Atzam #5 drilling success indicates upside potential

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

### Tortugas Salt Dome Project

The Company is continuing to advance operational plans with LAR to commence the 2 initial well re-entries on the Tortugas Salt Dome structure during 2014. LAR has commenced the social programs that were required to be managed as part of the terms for the land access agreement, including construction of a training institute and medical facilities for the local town. 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.



**Figure 3: Project Location and Exploration Potential**

## OPERATIONS REPORT

### Board and Management Changes

In February 2014, Ms Sophie Raven resigned as Non-Executive Director and Company Secretary with Mr Peter Landau being appointed to the Board of Directors as a Non-Executive Director and Ms Sara Kelly being appointed as Company Secretary

### Competent Person Statement

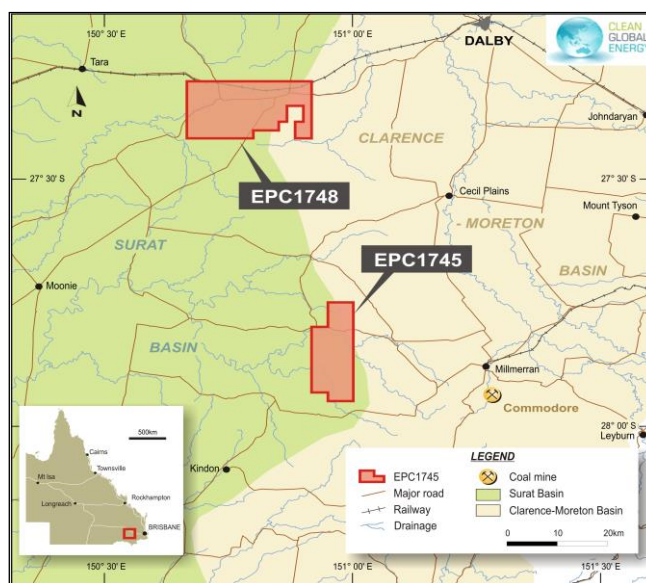
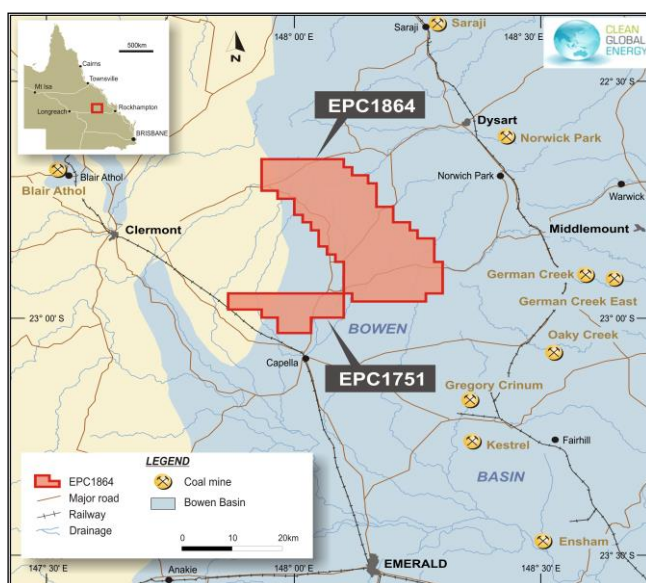
The information included in this Announcement that relates to resources was prepared by Mr Allen L. Kelley, who is an executive with Ralph E. Davis Associates, Inc. based in Houston, Texas. Mr Kelley has over 30 years of oil and gas experience and is a Certified Petroleum Geologist (Certificate Number 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 Company is currently undertaking to dispose of its tenements, as it is now focussed on oil and gas exploration and development projects.



## DIRECTORS' REPORT

The Directors present their report of Citation Resources Ltd for the year ended 30 June 2014.

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 events of a material and unusual nature have 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 2014, amounted to \$8,028,406 (2013: loss \$517,003).

### 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

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

Brett Mitchell	Appointed 24 November 2011 as Non-Executive Director; appointed as Executive Director 17 February 2012
Sophie Raven	Appointed as Non-Executive Director 13 December 2012 / Resigned 7 February 2014
Michael Curnow	Appointed as Non-Executive Director 4 April 2012
Peter Landau	Appointed as Non-Executive Director 7 February 2014

### 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 other listed companies as follows:

- Transerv Energy Ltd – resigned 19 August 2013;
- Wildhorse Energy Ltd – resigned 29 August 2014;
- Tamaska Oil and Gas Ltd; and
- Erin Resources Ltd

## DIRECTORS' REPORT

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.

During the three year period to the end of the financial year, Mr Curnow has been a Director of other listed companies as follows:

- African Energy Resources Ltd – resigned 31 March 2014;
- Energy Ventures Ltd; and
- Gallery Gold Ltd

### **Mr Peter Landau – Non-Executive Director**

Mr Landau is the founding director of Okap Ventures Pty Ltd and Komodo Capital Pty Ltd., internationally focused project management, corporate advisory and venture capital firms based in Western Australia and London. Mr Landau is a corporate lawyer and corporate advisor and has over 15 years' experience in providing general corporate, capital raising, transaction and strategic advice to numerous ASX and AIM listed and unlisted companies. Mr Landau has project managed a significant number of oil and gas and mining exploration and development transactions around the world including capital raising, M & A, joint ventures and finance structures.

During the three year period to the end of the financial year, Mr Landau has been a Director of:

- Nkwe Platinum Ltd;
- Continental Coal Ltd;
- Black Mountain Resources Ltd;
- AusAmerican Mining Ltd;
- Range Resources Ltd – resigned 13 June 2014;
- Paynes Find Gold Ltd – resigned 4 October 2013; and
- Eclipse Metals Ltd – resigned 7 October 2013

## **Company Secretary Information**

### **Ms Sara Kelly – Appointed on 7 February 2014 / resigned 22 August 2014**

Ms Kelly is an experienced Company Secretary and Corporate Lawyer with over 8 years' experience. Sara has comprehensive knowledge of and experience in administering regulatory frameworks and processes in a listed company environment and practised as a corporate lawyer specialising in acquisitions, takeovers, capital raisings and listing of companies on ASX and AIM. Ms Kelly has acted as the Company Secretary of a number of ASX listed companies.

### **Mr Anthony Eastman – appointed co-Company Secretary 22 August 2014**

Mr Eastman is a Chartered Accountant with a number of years' experience in financial management and corporate advisory services. He has previously worked with Ernst & Young and CalEnergy Gas Ltd, a subsidiary of the Berkshire Hathaway Group of Companies in both Australia and the United Kingdom. Mr Eastman was previously an Executive Director and Company Secretary with ASX and AIM listed company Range Resources Limited.

### **Mr Henry Roberts – appointed co-Company Secretary 22 August 2014**

Mr Roberts is an Accountant having graduated from the University of Western Australia with a Bachelor of Commerce and is the CFO for a number of public and private companies. Mr Roberts is currently completing his Australian Institute of Chartered Accountancy qualifications.

## **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.

## DIRECTORS' REPORT

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, 5 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	3	2
Peter Landau	2	2

### 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 2013	Issued	Other changes	Sold	Held at the date of this report
Brett Mitchell	-	-	-	-	-
Michael Curnow	500,000	-	-	-	500,000
Sophie Raven <sup>1</sup>	250,000	-	-	-	250,000
Peter Landau <sup>2,3</sup>	-	-	9,250,000	-	9,250,000
Total	750,000	-	9,250,000	-	10,000,000

<sup>1</sup> Appointed 13 December 2012 – resigned 7 February 2014

<sup>2</sup> Appointed 7 February 2014

<sup>3</sup> Mr Landau held these shares before his appointment to the board

#### 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.

#### Listed Options (CTRO)

At the date of report, the number of listed \$0.04 options expiring on 15 December 2015 (CTRO) issued to or acquired by each past and current Director during the financial year were:

Director	Held at 1 July 2013	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 <sup>1</sup>	2,125,000	-	-	-	2,125,000
Peter Landau <sup>2</sup>	-	-	-	-	-
Total	19,125,000	-	-	-	19,125,000

<sup>1</sup> Appointed 13 December 2012 – resigned 7 February 2014

<sup>2</sup> Appointed 7 February 2014

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 30 September 2014, the Company has 482,464,750 listed \$0.04 options expiring on 15 December 2015 (CTRO) on issue, along with 8,750,000 unlisted \$0.015 options expiring on 17 June 2017.



## 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. 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 – resigned 7 February 2014 as both Non-Executive Director and Company Secretary

### 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
<b>Directors</b>					
Brett Mitchell	266,000	-	-	195,000	461,000
Michael Curnow	36,000	-	-	26,000	62,000
Sophie Raven <sup>1</sup>	64,500	-	-	26,000	90,500
Domenic Martino <sup>2</sup>	18,000	-	-	-	18,000
<b>Total</b>	<b>384,500</b>	<b>-</b>	<b>-</b>	<b>247,000</b>	<b>631,500</b>

<sup>1</sup> Appointed 13 December 2012

<sup>2</sup> Resigned 13 December 2012

2014	Short Term Employee Benefits (Cash Salary and Fees)	Post-Employment Benefits (Superannuation)	Termination Benefits (Superannuation Benefits)	Share Based Payment Options Benefits	Total
<b>Directors</b>					
Brett Mitchell	189,000	-	-	-	189,000
Michael Curnow	36,000	-	-	-	36,000
Sophie Raven <sup>1</sup>	55,688	-	-	-	55,688
Peter Landau <sup>2</sup>	14,250	-	-	-	14,250
<b>Total</b>	<b>294,938</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294,938</b>

<sup>1</sup> Resigned 7 February 2014

<sup>2</sup> Appointed 7 February 2014

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

## DIRECTORS' REPORT

### 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:

#### Ordinary Shares

Director	Held at 1 July 2013	Issued	Other changes	Sold	Held at the date of this report
Brett Mitchell	-	-	-	-	-
Michael Curnow	500,000	-	-	-	500,000
Sophie Raven	250,000	-	-	-	250,000
Peter Landau <sup>1</sup>	-	-	9,250,000	-	9,250,000
Total	750,000	-	9,250,000	-	10,000,000

<sup>1</sup> Mr Landau held these shares before his appointment to the board

#### Listed Options

Director	Held at 1 July 2013	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 <sup>1</sup>	2,125,000	-	-	-	2,125,000
Peter Landau <sup>2</sup>	-	-	-	-	-
Total	19,125,000	-	-	-	19,125,000

#### 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		Balances	
			Full year	Full year	Full year	Full year
			30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
			\$	\$	\$	\$
Transerv Energy Ltd	(i)	Reimbursement to/from CTR for corporate administration costs	-	753	-	29
Erin Resources Limited	(ii)	Reimbursement to/from CTR for corporate administration costs	-	7,619	-	731
Tamaska Oil & Gas Limited	(iii)	Reimbursement to/from CTR for corporate administration costs	1,280	3,886	-	7,252
Sibella Capital Pty Ltd	(iv)	Reimbursement to/from CTR for corporate administration costs	1,896	(19,208)	-	482
Okap Ventures Pty Ltd	(v)	Provision of corporate / administration and company secretarial costs	140,000	-	-	-

- (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) Tamaska Oil and Gas Limited (TMK) is a company associated with Mr Brett Mitchell, who is currently a director of TMK.
- (iv) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.
- (v) Okap Ventures is a company associated with Mr Peter Landau with Okap providing corporate advisory, company secretarial, CFO, financial management and associated services.

## **DIRECTORS' REPORT**

### **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.

**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 material events have occurred:

- Testing recommenced on the Atzam 5 well in mid-July whereby 4 prospective C18 carbonate intervals located behind production casing were perforated. Oil and reservoir water being produced whilst testing these zones both individually and comingled however not at material commercial rates. The Company continues to evaluate the results and looking at commencing further testing of the well.
- The Company issued a Notice of General Meeting to be held on 3 October 2014.

### 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.

### 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 2014 has been received and be found on page 15.

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



**Brett Mitchell**  
**Executive Director**

30 September 2014, at Perth, Western Australia

## AUDITOR'S INDEPENDENCE DECLARATION



Level 1  
10 Kings Park Road  
West Perth WA 6005

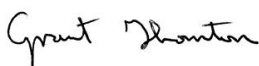
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### **Auditor's Independence Declaration To the Directors of Citation Resources Limited**

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 2014, 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 AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner - Audit & Assurance

Perth, 30 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2014

	Note	CONSOLIDATED 2014 \$	CONSOLIDATED 2013 \$
Revenue	4	3,385,397	-
Interest and other income	4	589,455	719,525
Cost of materials	5	(3,013,690)	-
Depreciation, depletion and amortisation	5	(724,919)	-
Accounting and audit		(62,384)	(36,145)
Professional and consultancy fees		(982,539)	(186,736)
Share based payment expense		(1,270,387)	(247,000)
Directors fees		(261,188)	(339,500)
Depreciation expense	5	(843)	(5,182)
Employee benefit expenses	5	(512,235)	(147,508)
Regulatory expenses		(97,637)	(62,273)
Exploration expenditure		(1,482,686)	-
Impairment		(627,181)	-
Loss on conversion of loan		(100,364)	-
Interest expense and borrowing costs	5	(1,904,972)	(5,467)
Administrative expenses	5	(941,708)	(206,431)
Net foreign exchange loss		(20,525)	(286)
<b>Loss before tax</b>		<b>(8,028,406)</b>	<b>(517,003)</b>
Income tax expense	6	-	-
<b>Loss for the year</b>		<b>(8,028,406)</b>	<b>(517,003)</b>
<b>Other comprehensive income for the year</b>			
Foreign currency translation		803,854	-
<b>Other comprehensive income for the year, net of tax</b>		<b>803,854</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(7,224,552)</b>	<b>(517,003)</b>
<b>Net loss is attributable to:</b>			
Owners of Citation Resources Ltd		(6,601,602)	(517,003)
Non-controlling interests		(1,426,804)	-
		<b>(8,028,406)</b>	<b>(517,003)</b>
<b>Total comprehensive loss is attributable to:</b>			
Owners of Citation Resources Ltd		(6,120,140)	(517,003)
Non-controlling interests		(1,104,412)	-
		<b>(7,224,552)</b>	<b>(517,003)</b>
<b>Earnings / (loss) per share attributable to the owners of Citation Resources Ltd:</b>			
Basic earnings & diluted earnings / (loss) per share (cents per share)	7	(0.61)	(0.15)

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 2014

	Note	CONSOLIDATED 2014 \$	CONSOLIDATED 2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	2,106,272	511,727
Trade and other receivables	9	555,492	38,162
Other current assets		61,342	-
Inventories		1,541,958	-
Total current assets		4,265,064	549,889
<b>Non-Current Assets</b>			
Property, plant and equipment	10	1,165	2,008
Other non-current assets		1,145,797	-
Development assets	11	7,304,038	-
Exploration and evaluation expenditure	12	17,632,106	11,002,344
Total non-current assets		26,083,106	11,004,352
Total assets		30,348,170	11,554,241
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	2,963,840	116,665
Provisions		101,642	-
Borrowings	14	979,432	4,298,309
Derivative financial liability	15	960,000	-
Total current liabilities		5,004,914	4,414,974
<b>Net assets</b>		<b>25,343,256</b>	<b>7,139,267</b>
<b>EQUITY</b>			
Contributed equity	16a	32,651,060	17,819,929
Options reserve	16b	589,404	983,220
Share based payment reserve	16c	1,517,387	247,000
Foreign exchange reserve		481,462	-
Accumulated losses	17	(18,112,264)	(11,910,882)
Capital and reserves attributable to owners of the Parent		17,127,049	7,139,267
Amounts attributable to non-controlling interests	27	8,216,207	-
<b>Total equity</b>		<b>25,343,256</b>	<b>7,139,267</b>

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 2014

CONSOLIDATED EQUITY 30 JUNE 2014	Issued capital	Option reserve	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2013</b>	17,819,929	983,220	247,000	-	(11,910,882)	7,139,267	-	7,139,267
Loss for the year	-	-	-	-	(6,601,602)	(6,601,602)	(1,426,804)	(8,028,406)
Exchange differences on translation of foreign operations	-	-	-	481,462	-	481,462	322,392	803,854
<b>Total comprehensive loss for the year</b>	-	-	-	481,462	(6,601,602)	(6,120,140)	(1,104,412)	(7,224,552)
Shares issued during the period	15,244,626	-	-	-	-	15,244,626	-	15,244,626
Share issue costs	(413,495)	-	-	-	-	(413,495)	-	(413,495)
Share based payment expense	-	52,754	1,270,387	-	-	1,323,141	-	1,323,141
Transfers	-	(400,220)	-	-	400,220	-	-	-
Fair value movement on options	-	(46,350)	-	-	-	(46,350)	-	(46,350)
Non-controlling interests on acquisition (note 18)	-	-	-	-	-	-	9,320,619	9,320,619
<b>At 30 June 2014</b>	<b>32,651,060</b>	<b>589,404</b>	<b>1,517,387</b>	<b>481,462</b>	<b>(18,112,264)</b>	<b>17,127,049</b>	<b>8,216,207</b>	<b>25,343,256</b>

CONSOLIDATED EQUITY 30 JUNE 2013	Issued capital	Option reserve	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total	Non- controlling interest	Total equity
	\$	\$	\$		\$			\$
<b>At 1 July 2012</b>	13,882,100	400,220	-	-	(11,393,879)	2,888,441	-	2,888,441
Loss for the year	-	-	-	-	(517,003)	(517,003)	-	(517,003)
<b>Total comprehensive loss for the year</b>	-	-	-	-	(517,003)	(517,003)	-	(517,003)
Shares issued during the period	4,133,501	-	-	-	-	4,133,501	-	4,133,501
Share issue costs	(195,672)	-	-	-	-	(195,672)	-	(195,672)
Issue of share options	-	583,000	-	-	-	583,000	-	583,000
Share based payment expense	-	-	247,000	-	-	247,000	-	247,000
<b>At 30 June 2013</b>	<b>17,819,929</b>	<b>983,220</b>	<b>247,000</b>	<b>-</b>	<b>(11,910,882)</b>	<b>7,139,267</b>	<b>-</b>	<b>7,139,267</b>

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 2014

	Note	CONSOLIDATED 2014 \$	CONSOLIDATED 2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,953,237	-
Payments to suppliers and employees		(1,978,206)	(1,123,843)
Interest received		183,919	42,700
Interest expenses		(107,960)	-
Receipts for security deposits		-	5,000
Other income		-	444,784
<b>Net cash outflow from operating activities</b>	19	<u>1,050,990</u>	<u>(631,359)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(1,792)
Net cash on acquisition of subsidiary		(661,814)	-
Payments for exploration, evaluation and development expenditure – refer note 11 / 12		(5,990,537)	(3,784,000)
Non-controlling interest's share of cashcalls funded by Citation		(940,598)	-
<b>Net cash outflow from investing activities</b>		<u>(7,592,949)</u>	<u>(3,785,792)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares/share options		5,750,000	2,530,613
Share / share options issue costs		(413,496)	(195,672)
Repayment of borrowings		(300,000)	(350,000)
Proceeds from borrowings		3,100,000	350,000
<b>Net cash outflow from financing activities</b>		<u>8,136,504</u>	<u>2,334,941</u>
<b>Net decrease in cash and cash equivalents</b>		1,594,545	(2,082,210)
<b>Cash and cash equivalents at the beginning of the financial year</b>		511,727	2,593,937
<b>Cash and cash equivalents at the end of the financial year</b>	8	<u>2,106,272</u>	<u>511,727</u>

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 (the Company) for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of Directors on 30 September 2014 and covers the consolidated entity consisting of Citation Resources Ltd and its subsidiaries (the Group) as required by the Corporations Act 2001.

The Company is a company limited by shares and 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 2014 of \$8,028,406 (2013: \$517,003). As at the 30 June 2014, the Group reported a net working capital deficiency of \$739,848 (2013: \$3,865,085).

The financial statements have been prepared on the basis that the Company and consolidated entity will continue to meet their commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The continuation as a going concern is dependent upon obtaining further funding and managing discretionary expenditure as required.

In view of the foregoing, the directors are of the opinion that they have a reasonable expectation that the Group will have adequate resources to continue to operate for at least the next twelve months. For these reasons, they continue to adopt the going concern basis in preparing the financial report.

#### **(d) Principles of Consolidation**

The Group financial statements consolidate those of the Parent Company (Citation Resources Limited) and all of its subsidiaries as of 30 June 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

**(d) Principles of Consolidation (continued)**

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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

*(i) 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) Development Assets**

Upon the commencement of commercial production from each identifiable area of interest, the exploration and evaluation expenditure incurred up to that point is impairment tested and then reclassified to development assets.

When production commences, the accumulated costs for the relevant area of interest are amortised on a units of production method based on the ratio of actual production to remaining proved reserves (P1) as estimated by independent petroleum engineers over the life of the area according to the rate of depletion of the economically recoverable reserves.



**(g) Development Assets (continued)**

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

The carrying amount of development assets is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to accumulated losses.

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

**(h) Impairment of assets**

The consolidated entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and included in profit or loss. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as available-for-sale are not reversed through profit or loss.

**(i) 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.

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.

**(j) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

**(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.

**(k) 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.

**(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**

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

**(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**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the consolidated entity.

Revenue from the sale of oil and gas and related products is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership and the amounts can be measured reliably. In the case of oil, this usually occurs at the time of lifting.

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

**(p) Provisions**

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

**(q) Foreign Currency Translations and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

**(r) 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.

**(s) 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 Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

**(r) Share Based Payments**

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

**(s) New Accounting Standard and Interpretations**

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

- AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 *Consolidated and Separate Financial Statements* (AASB 127) and AASB Interpretation 112 *Consolidation - Special Purpose Entities*. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

**(s) New Accounting Standard and Interpretations (continued)**

- AASB 11 Joint Arrangements

AASB 11 supersedes AASB 131 *Interests in Joint Ventures* (AAS 131) and AASB Interpretation 113 *Jointly Controlled Entities- Non-Monetary-Contributions by Venturers*. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

- AASB 12 Disclosure of interests in Other Entities

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures

AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

- AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

- Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and
- Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 *Presentation of Financial Statements*.

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.

- AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Effective date (annual reporting periods beginning on or after 1 January 2018).

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018 and the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 in Australia).

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

AASB 2012-3 adds application guidance to AASB 132 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.

Effective date (annual reporting periods beginning on or after 1 January 2014).

When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

- AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB’s original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

Effective date (annual reporting periods beginning on or after 1 January 2014).

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 Financial Instruments (or AASB 139 Financial Instruments: Recognition and Measurement where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries.

These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

Effective date (annual reporting periods beginning on or after 1 January 2014).

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

- AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders

AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038 Life Insurance Contracts, which leaves AASB 10 Consolidated Financial Statements as the sole source for consolidation requirements applicable to life insurer entities.

Effective date (annual reporting periods beginning on or after 1 January 2014).

When this standard is first adopted for the year ending 30 June 2015, there will be no impact on the entity because the parent entity does not meet the definition of 'investment entity'.

- AASB 1031 Materiality (December 2013)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn.

Effective date (annual reporting periods beginning on or after 1 January 2014).

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality)

Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations).

Effective date (annual reporting periods beginning on or after 1 January 2014).

When the revised AASB 1031 is first adopted for the year ending 30 June 2015, it is unlikely to have any significant impact on the entity.

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)

These amendments:

- add a new chapter on hedge accounting to AASB 9 Financial Instruments, substantially overhauling previous accounting requirements in this area;
- allow the changes to address the so-called 'own credit' issue that were already included in AASB 9 to be applied in isolation without the need to change any other accounting for financial instruments; and
- defer the mandatory effective date of AASB 9 from '1 January 2015' to '1 January 2017'.

Effective date (annual reporting periods beginning on or after 1 January 2015).

The entity has not yet assessed the full impact of these amendments.

- AASB 14 Regulatory Deferral Accounts

AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards.

Effective date (annual reporting periods beginning on or after 1 January 2016).

When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.

- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)



**(t) New Accounting Standard and Interpretations not yet Effective**

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- (a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
- (b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119))

Part B of AASB 2014-1 makes amendments to AASB 119 Employee Benefits to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service.

The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of AASB 119 for the gross benefit.

Effective date (annual reporting periods beginning on or after 1 July 2014).

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

- AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)

Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality, which historically has been referenced in each Australian Accounting Standard.

Effective date (annual reporting periods beginning on or after 1 July 2014).

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

- AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

Effective date (annual reporting periods beginning on or after 1 January 2016).

When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.

- AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)



**(t) New Accounting Standard and Interpretations not yet Effective**

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

Effective date (annual reporting periods beginning on or after 1 January 2015).

The entity has not yet assessed the full impact of these amendments.

- IFRS 15 Revenue from Contracts with Customers

IFRS 15:

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In the Australian context, the Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (AASB 15 Revenue from Contracts with Customers), along with a new Exposure Draft (ED) on income from transactions of Not-for-Profit (NFP) entities by September 2014.

Effective date (annual reporting periods beginning on or after 1 January 2017).

When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to IAS 38 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two limited circumstances:

- the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

Effective date (annual reporting periods beginning on or after 1 January 2016).

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

**(t) New Accounting Standard and Interpretations not yet Effective**

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by IFRS 3 and other IFRSs.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

Effective date (annual reporting periods beginning on or after 1 January 2016).

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

**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 2014	CONSOLIDATED 2013
	\$	\$
<b>Revenue is comprised as follows:</b>		
Revenue from the sale of hydrocarbons	3,385,397	-
Total revenue	3,385,397	-
<b>Interest and other income is comprised as follows:</b>		
Interest income	183,919	42,074
Research and development rebate	-	444,784
Gain on loan conversion (refer note 15)	-	232,667
Gain on fair value of the derivative liability	405,536	-
Total other income	589,455	719,525

**5. EXPENSES**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
<b>Loss includes the following specific expenses:</b>		
<i>Operating expenses</i>		
Costs of production	2,340,804	-
Staff costs	672,886	-
Total operation expenses	<b>3,013,690</b>	-
<i>Depreciation, depletion and amortisation</i>		
Oil and gas properties depreciation, depletion and amortisation	724,919	-
Total depreciation, depletion and amortisation	<b>724,919</b>	-
<i>General depreciation expense</i>		
Plant and equipment	843	5,182
Total general depreciation	<b>843</b>	<b>5,182</b>
<i>Employee expenses</i>		
Wages and salaries	512,235	177,750
Payroll tax	-	(16,583)
Workers compensation	-	(13,659)
Total employee costs	<b>512,235</b>	<b>147,508</b>
<i>Corporate and administrative expenses</i>		
Rent and occupancy	193,881	191,384
Travel expenses	131,512	-
Insurance expenses	140,261	-
Marketing expenses	76,188	-
Other expenses	399,866	15,047
Total corporate and administrative expenses	<b>941,708</b>	<b>206,431</b>
<i>Finance costs</i>		
Interest expense	57,112	5,467
Borrowing costs	1,847,860	-
Total financing costs	<b>1,904,972</b>	<b>5,467</b>

**6. TAXATION**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Loss before income tax	(8,028,406)	(517,003)
Prima facie benefit on loss from continuing activities at 30% tax rate (2013: 30%)	(2,408,522)	(155,101)
Tax effect of amounts which are not deductible in calculating taxable income:		
Entertainment	2,061	1,997
Share based payment	92,545	74,100
Overseas travel	9,773	1,990
Tax effect of current year tax losses for which no deferred tax asset has been recognised	2,304,143	77,015
Total income tax expense	-	-

The following deferred tax balances have not been recognised:

Deferred tax assets (at 30%):

Carry forward revenue losses	3,993,626	3,540,047
Carry forward capital losses	1,410,543	1,410,543
Capital raising costs	141,484	153,362
Provisions and accruals	6,037	6,037
	<b>5,551,690</b>	<b>5,109,989</b>

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

Deferred tax liabilities (at 30%):

Exploration, evaluation and development costs	-	168,925
Accrued interest	282	282
	<b>282</b>	<b>169,207</b>

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**

	<b>CONSOLIDATED 2014</b>	<b>CONSOLIDATED 2013</b>
	\$	\$
<b>(a) Basic earnings per share</b>		
Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate basic earnings per share	6,601,602	517,003
<b>(b) Diluted earnings per share</b>		
Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate diluted earnings per share	6,601,602	517,003

	<b>CONSOLIDATED 2014 Number of Shares</b>	<b>CONSOLIDATED 2013 Number of Share</b>
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share	1,083,803,388	350,212,431
Loss per share attributable to owners of the company:		
Basic loss per share (cents per share)	(0.61)	(0.15)
Diluted loss per share (cents per share)	n/a	n/a

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

**8. CASH AND CASH EQUIVALENTS**

	<b>CONSOLIDATED 2014</b>	<b>CONSOLIDATED 2013</b>
	\$	\$
Cash at bank - Australia	432,770	401,876
Cash at bank - Guatemala	1,638,685	-
Short term deposits	34,817	109,851
	<b>2,106,272</b>	<b>511,727</b>

**(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 2014**

<b>Amount (\$)</b>	<b>Term</b>	<b>Rate</b>	<b>Expiry</b>
34,817	3 months	3.6%	14 July 2014
34,817			

**30 June 2013**

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

**9. TRADE AND OTHER RECEIVABLES**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Trade receivables	349,352	-
Other receivables (i)	206,140	31,775
GST / VAT receivable	-	6,387
	<b>555,492</b>	<b>38,162</b>

(i) Included in other debtors is an amount of \$189,263 due from Range Resources Ltd ("Range") in relation to Range's share of Latin American Resources cash calls paid by Citation on behalf of Range.

**10. PROPERTY, PLANT AND EQUIPMENT**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
<i>Plant and equipment</i>		
- at cost	23,313	23,313
- accumulated depreciation	(22,148)	(21,305)
Total plant and equipment	1,165	2,008
Total property, plant and equipment	<b>1,165</b>	<b>2,008</b>
<i>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:</i>		
<i>Reconciliation of the carrying amount of plant and equipment:</i>		
Carrying amount at beginning of financial year	2,008	5,399
Additions	-	1,792
Disposal	-	-
Depreciation expense for the period	(843)	(5,183)
Carrying amount at end of financial year	<b>1,165</b>	<b>2,008</b>

**11. DEVELOPMENT ASSETS**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Balance at the beginning of the year	-	-
Development costs transferred from exploration and evaluation <sup>(1)</sup>	8,264,900	-
Amortisation	(724,919)	-
Movement in foreign exchange rates	(235,943)	-
Balance at the end of the year	<b>7,304,038</b>	-

<sup>(1)</sup> During the year, expenditure associated with the producing Atzam #4 was transferred from exploration and evaluation expenditure to development assets upon the acquisition of the interest in Latin American Resources.

**12. EXPLORATION AND EVALUATION EXPENDITURE**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
<b>Exploration and evaluation</b>		
Balance at the beginning of the year <sup>(1)</sup>	11,002,344	501,031
Acquired during the period at fair value <sup>(2)</sup>	13,115,955	3,776,988
Transfer to development assets – note 11	(8,264,900)	-
Exploration expenditure incurred	2,405,888	6,724,325
Exploration expenditure written off <sup>(3)</sup>	(627,181)	-
Balance at the end of the year	<b>17,632,106</b>	<b>11,002,344</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> The acquisition relates to the interest acquired in the Atzam #4 Guatemala project through the acquisition of Citation Resources Aus Pty Ltd and the 60% interest in Latin American Resources.

<sup>(3)</sup> With the Company's focus shifting to oil and gas exploration projects, the Company is currently undertaking to dispose of its tenements and as a result has elected to write down the tenements to nil

**13. TRADE AND OTHER PAYABLES**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Trade payables	2,210,938	87,421
Other payables <sup>(1)</sup>	752,902	29,244
Total trade and other payables	<b>2,963,840</b>	<b>116,665</b>

<sup>(1)</sup> Within other payables is the value of 65m shares not yet issued at year end in relation to retention and incentive plans – valued at A\$0.01 per share.

**14. BORROWINGS**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Short term working capital facility <sup>(1)</sup>	-	3,948,309
Short term financing facility <sup>(2)</sup>	-	350,000
Short term financing facility <sup>(3)</sup>	-	-
Short term financing facility <sup>(4)</sup>	979,432	-
Total borrowings	<b>979,432</b>	<b>4,298,309</b>

**30 June 2013**

<sup>(1)</sup> 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. During the current year the balance outstanding at 30 June 2013, further loans of \$4,156,915, and interest on principal amounts advanced were settled through the issue of shares in the Company and the transfer of 10% of Citations interest in Latin American Resources.

<sup>(2)</sup> 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 under the facility to \$990,000. The \$990,000 was converted into ordinary shares in the Company on 31 July 2013.

**14. BORROWINGS (continued)**

<sup>(3)</sup> On 25 July 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. During the year a total of \$750,000 was received of which \$750,000 was repaid in full in cash and equity during the year.

Principal terms of the financing facility are as follows:

- a. Establishment fee – 18,750,000 CTRO listed options were issued to the Lenders as an establishment fee and in lieu of interest
- b. Original term – approximately 2 months commencing end of July 2013
- c. Original Maturity Date – 30 September 2013
- d. Maturity Date Extension # 1 – The loan was extended to 31 December 2013 for an extension fee of 25,089,750 CTRO listed options
- e. Maturity Date Extension #2 – The loan was extended to 31 March 2014 for an extension fee of 16,875,000 listed options
- f. Interest – no interest payable
- g. 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
- h. 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

<sup>(4)</sup> In May 2014, the Company undertook a short term financing facility of up to \$2,000,000 to provide working capital for the Company by entering into a debt facility with a syndicate of lenders. During the year a total of \$2,000,000 was received of which nil was repaid during the year.

Principal terms of the financing facility are as follows:

- a. Establishment fee – 66,000,000 CTRO listed options were issued / due to be issued to the Lenders as an establishment fee
- b. Face value - \$2,400,000
- c. Interest – 10% per annum
- d. Original term –
  - i. For \$660,000 of the loan plus accrued interest, on or before 31 July 2014
  - ii. For \$1,320,000 of the loan, \$100,000 instalments plus accrued interest on amount outstanding to be paid, on or before each calendar month commencing 31 August 2014 with balance plus accrued interest being paid on or before 30 April 2015.
  - iii. For \$420,000 of the loan plus accrued interest on or before 30 April 2015.
- e. Subsequent to year end, the Company made repayments on the terms set out above comprising \$200,000 in cash and issued 90,000,000 ordinary shares to the lenders with the lenders agreeing to extend any outstanding amounts until 30 September 2014.
- f. Repayment – On the Company completing a successful debt or equity raising of a minimum of \$5,000,000, subject to the Lender being able to convert on the same terms as any equity raising,



the Company shall repay the full amount outstanding plus accrued interest.

A portion of the loan has been classified as a derivative financial liability – refer note 16.

# **15. DERIVATIVE FINANCIAL INSTRUMENTS**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Derivative liabilities from convertible financing facilities	960,000	-
	<b>960,000</b>	<b>-</b>

Movement in derivative liabilities during the period is as follows:

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Carrying amount at 1 July	-	-
Recognition of derivative from convertible financing facilities	1,365,536	-
Fair value movement	(405,536)	-
	<b>960,000</b>	<b>-</b>

Derivative liabilities arise from the Group's short term financing facilities as refer to in Note 14.

The values of the derivative fluctuate with the Company's underlying share price and the time to expiry. The change in the value of derivatives between inception date and 30 June 2014 are due to the difference in the Company's share price between inception date and 30 June 2014 and is recognised as an unrealised loss / profit in the Statement of Profit or Loss and Comprehensive Income.

# **16. CONTRIBUTED EQUITY**

## **(a) Ordinary Shares as at 30 June 2014**

	CONSOLIDATED 2014 No of shares	CONSOLIDATED 2013 No of shares	CONSOLIDATED 2014 \$	CONSOLIDATED 2013 \$
Fully paid ordinary shares	<b>1,234,665,067</b>	445,056,226	<b>32,651,060</b>	17,819,929

Reconciliation of share movement	No of shares	Issue Price	Amount
<b>Opening balance at 1 July 2013</b>	<b>445,056,226</b>		<b>17,819,929</b>
Shares issued on conversion of short term working capital facility (i)	99,000,000	0.021	2,079,000
Shares issued on conversion of loan payable to Range Resources Ltd (ii)	80,222,222	0.021	1,684,668
Shares issued to the vendors of Citation Resources Australia Pty Ltd (iii)	107,000,000	0.021	2,247,000
Shares issued in placement (iv)	300,000,000	0.020	6,000,000
Shares issued on conversion of loan payable to Range Resources Ltd (v)	158,160,487	0.016	2,555,568
Shares issued on conversion of short term convertible loan facility (vi)	45,226,132	0.015	678,390
<b>Total shares issued</b>	<b>1,234,665,067</b>		<b>33,064,555</b>
Less share issue costs	-		(413,495)
<b>Balance at 30 June 2014</b>	<b>1,234,665,067</b>		<b>32,651,060</b>

**16. CONTRIBUTED EQUITY (CONTINUED)**

- (i) On 31 July 2013 the Company issued 99,000,000 shares to settle its \$990,000 short term financing facility with the share price at the date of issue being \$0.021 per share and as a result, a loss amounting to \$1,089,000 is recognised in the statement of profit and loss and other comprehensive income.
- (ii) On 31 July 2013 the Company issued 80,222,222 shares to settle \$1,604,445 of its loan payable to Range Resources Ltd, with the share price at the date of issue being \$0.021 per share and as a result, a loss amounting to \$80,223 is recognised in the statement of profit and loss and other comprehensive income.
- (iii) On 31 July 2013 the Company issued 107,000,000 shares to the vendors of Citation Resources Australia Pty Ltd. 53,000,000 shares were issued upon the achievement of a commercial test from Atzam #4 well of at least 200 bopd (Milestone 1). 54,000,000 shares were issued upon the Company electing to participate in the second Guatemalan well, Atzam #5 (Milestone 2). With the share price at the date of issue being \$0.021 per share and as a result, a gain amounting to \$400,000 is recognised in the statement of profit and loss and other comprehensive income.
- (iv) On 19 August 2013 the Company issued 300,000,000 shares to raise \$6,000,000 before costs.
- (v) On 18 October 2013 the Company issued 158,160,487 shares to settle \$2,763,208 of its loan payable to Range Resources Ltd. With the share price at the date of issue being \$0.016 per share and as a result, a gain amounting to \$232,641 is recognised in the statement of profit and loss and other comprehensive income.
- (vi) On 4 April 2014 the Company issued 45,226,132 shares to settle its \$450,000 loan payable. With the share price at the date of issue being \$0.015 per share and as a result, a loss amounting to \$278,390 is recognised in the statement of profit and loss and other comprehensive income.

Reconciliation of share movement	No of shares	Issue Price	Amount
<b>Opening balance at 1 July 2012</b>	<b>226,769,698</b>		<b>13,882,100</b>
Shares issued in placement (i)	32,000,000	\$0.02	640,000
Shares issued as part of the acquisition (ii)	53,000,000	\$0.02	1,060,000
Shares issued in placement (iii)	30,000,000	\$0.02	600,000
Options exercised (iv)	8,750	\$0.02	613
Shares issued in placement (v)	39,750,000	\$0.02	795,000
Shares issued in placement (vi)	24,750,000	\$0.02	495,000
Shares issued on conversion of loan payable to Range Resources Ltd (vii)	38,777,778	\$0.014	542,889
<b>Total shares issued</b>	<b>445,056,226</b>		<b>18,077,665</b>
Less share issue costs	-		(195,673)
<b>Balance at 30 June 2013</b>	<b>445,056,226</b>		<b>17,819,929</b>

- (i) On 16 July 2012 the Company issued 32,000,000 shares to raise \$640,000.
- (ii) On 19 September 2012 the Company announced the issue of 53,000,000 shares pursuant to the prospectus dated 18 September 2012. The shares were issued to vendors as part of the acquisition of the Guatemalan assets.
- (iii) On 2 October 2012 a placement made to sophisticated investors for \$600,000 was completed. As part of the placement, 30,000,000 shares were issued on 4 October 2012, with a fee attaching listed option for every 2 shares subscribed for.
- (iv) On 12 October 2012 8,750 ordinary shares were issued following the exercise of 8,750, CTROA listed options exercisable at \$0.07 each.
- (v) On 22 February 2013 the Company issued 39,750,000 shares to raise \$795,000.
- (vi) On 1 March 2013 the Company issued 24,750,000 shares to raise \$495,000.

**16. CONTRIBUTED EQUITY (CONTINUED)**

- (vii) On 16 April 2013 the Company issued 38,777,778 shares to RRS @ \$0.02 per share on conversion of loans made by RRS to the Company. 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.

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.

**(b) Share Options as at 30 June 2014**

Reconciliation of option movement	No of options	Issue Price	Amount
<b>Opening balance at 1 July 2013</b>	<b>354,702,160</b>		<b>983,220</b>
Options expired (i)	(226,563,271)	-	(400,220)
Free attaching options (ii)	150,000,000	-	-
Unlisted options issued (iii)	8,750,000	0.006	52,754
Fair value movement of options			(46,350)
<b>Option reserve</b>			<b>589,404</b>
 <b>Opening balance at 1 July 2013</b>			 <b>247,000</b>
Free attaching options (iv)	53,500,000	0.008	428,000
Attaching options (v)	40,111,111	0.007	280,778
Options issued as share based payments (vi)	18,750,000	0.005	93,750
Attaching options (vii)	50,000,000	0.006	300,000
Options issued as share based payments (viii)	41,964,750	0.004	167,859
<b>Share based payment reserve additions (note 16 (d))</b>			<b>1,517,387</b>
 <b>Balance at 30 June 2014</b>	 <b>491,214,750</b>		

- (i) The Company's CTROA listed options, exercisable at \$0.07, expired on 31 July 2013.
- (ii) On 19 August 2013 the Company issued 150,000,000 free attaching options on the basis of 1 option for every 2 placement shares issued.
- (iii) In May 2014, an initial 8,750,000 unlisted options were issued to the Lenders who provided a short term financing facility to the Company.
- (iv) On 31 July 2013 the Company issued 53,500,000 attaching options on the basis of 1 option for every 2 shares issued to the vendors of Citation Resources Australia Pty Ltd upon the achievement of a commercial test from the Atzam #4 well of at least 200 bopd (Milestone 1) and upon the Company electing to participate in the second Guatemalan well, Atzam #5 (Milestone 2). The Company has valued these at issue date.
- (v) On 31 July 2013 the Company issued 40,111,111 attaching options on the basis of 1 options for every 2 shares issued to settle \$1,604,444 of its loan payable to Range Resources Limited. The Company has valued these options at issued date resulting in a loss on loan conversion being recognised in the statement of profit and loss and other comprehensive income.
- (vi) On 9 October 2013 the Company issued 18,750,000 listed options to the Lenders providing short term financing facility to the Company. The options were issued as an establishment fee and in lieu of interest on the loan. The value of the options was based on the traded price of the listed option.
- (vii) On 18 October 2013 the Company issued 50,000,000 options attaching to the 158,160,487 shares issued to Range Resources Limited to settle \$3,163,210 of its loan payable to Range. The Company has valued these options at issued date resulting in a loss on loan conversion being recognised in the statement of profit and loss and other comprehensive income.

**16. CONTRIBUTED EQUITY (CONTINUED)**

- (viii) On 12 February 2014 the Company issued 41,964,750 listed options to the Lenders providing the short term financing facility as consideration for extending the maturity date of the loan from 30 September 2013 to 31 December 2013. The value of the options was based on the traded price of the listed option. The fair value of the share options, at grant date is determined using the binomial option pricing method that takes into account the exercise price, the term of the options, 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 term of the options.

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

Valuation date	17 May 2017
Dividend yield (%)	Nil
Expected volatility (%)	110%
Risk-free interest rate (%)	2.29%
Expected life of options (days)	1,126
Option exercise price (\$)	\$0.015
Share price at grant date (\$)	\$0.010
Expiry date	17 June 2017
Performance conditions	none

Reconciliation of option movement	No of options	Issue Price	Amount
<b>Opening balance at 1 July 2012</b>	<b>226,572,021</b>		<b>400,220</b>
Free attaching options as part of a placement (i)	16,000,000	-	-
Options issued in relation to the acquisition (iii)	26,500,000	0.022	583,000
Free attaching options as part of a placement (iv)	15,000,000	-	-
Options exercised (v)	(8,750)	-	-
Free attaching options as part of a placement (vi)	19,875,000	-	-
Free attaching options as part of a placement (vii)	12,375,000	-	-
Free attaching options (vii)	19,389,889	-	-
<b>Option reserve</b>			<b>983,000</b>
Options issued as share based payment (ii)	19,000,000	0.013	247,000
<b>Share based payment reserve additions (note 16 (d))</b>			<b>247,000</b>
<b>Balance at 30 June 2013</b>	<b>354,702,160</b>		

- (i) On 19 September 2012 the Company issued 16,000,000 free attaching options on the basis of 1 option for every 2 placement shares issued.
- (ii) On 6 September 2012, the Company issued 19,000,000 unlisted options exercisable at \$0.04 and expiring on 15 December 2015 to the Company's Directors, Mr Brett Mitchell and Mr Michael Curnow, and the Company Secretary, Ms Sophie Raven.
- (iii) On 19 September 2012 the Company announced the issue 26,500,000 listed options, pursuant to the prospectus dated 18 September 2012. These options were issued to vendors as part of the acquisition of the Guatemalan assets
- (iv) On 2 October 2012 the Company issued 15,000,000 free attaching options on the basis of 1 option for every 2 placement shares issued.
- (v) On 12 October 2012 8,750 options were exercised.
- (vi) On 22 February 2013 the Company issued 19,875,000 free attaching options on the basis of 1 option for every 2 placement shares issued
- (vii) On 1 March 2013 the Company issued 12,375,000 free attaching options on the basis of 1 option for every 2 placement shares issued

## 16. CONTRIBUTED EQUITY (CONTINUED)

- (viii) On 16 April 2013 the Company issued 19,388,889 free attaching options to the 38,777,778 shares issued to Range Resources Limited on conversion of loans made to the Company by Range.

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)	1,167
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	<b>\$583,000</b>

### (c) Share Based Payment Reserve

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Balance at the beginning of the year	247,000	-
Options issued	1,270,387	247,000
Total share based payment reserve	<b>1,517,387</b>	<b>247,000</b>

Listed share options were issued to a number of Lenders for the extension of the short term financing facility provided to the Company during the year. The value of the options granted were valued at the traded price of the listed options – refer note 16 (b)

Number of options	18,750,000	41,964,750
Trade value per option	\$0.005	\$0.004
Total value of the issue	<b>\$93,750</b>	<b>\$167,859</b>

## 16. CONTRIBUTED EQUITY (CONTINUED)

In the prior year 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 – refer note 16 (b)

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

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	<b>\$247,000</b>

### (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.

**17. ACCUMULATED LOSSES**

	CONSOLIDATED 2014 \$	CONSOLIDATED 2013 \$
Accumulated losses at the beginning of the financial year	(11,910,882)	(11,393,879)
Loss attributable to the owners of Citation Resources Ltd	(6,601,602)	(517,003)
Transfer from option reserve following expiry of options – note 16(b)	400,220	
Accumulated losses at the end of the financial year	<u>(18,112,264)</u>	<u>(11,910,882)</u>

**18. BUSINESS COMBINATION**

**(a) Summary of acquisition**

In August 2013 Citation completed its earn in of a 60% equity interest in Latin American Resources. Latin American Resources became a subsidiary of the Group as at the date of earn in, giving the Group a 60% equitable interest in the Atzam Oil and Tortugas Salt Dome Projects in Guatemala.

Details of the purchase consideration and the net assets acquired are as follows:

	\$
Purchase consideration (refer to (b) below)	
Cash paid	9,948,409
Equity	4,032,500
Contingent consideration	-
Total purchase consideration	<u>13,980,909</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	\$
Exploration expenditure	16,892,943
Development expenditure	6,942,250
Current assets	2,544,304
Trade & other creditors	(3,031,120)
Provisions	(46,862)
Net identifiable assets acquired	<u>23,301,515</u>
Less: non-controlling interests	<u>(9,320,606)</u>
<b>Net assets acquired</b>	<u><b>13,980,909</b></u>

*Non-controlling interests*

In accordance with the Group's accounting policy, the Group has elected to recognise the non-controlling interests in Latin American Resources at its proportionate share of the acquired net identifiable assets.

*Revenue and profit contribution*

Latin American Resources contributed revenues of \$3,385,396 and net loss of \$3,567,010 to the Group for period from acquisition date to 30 June 2014.



**18. BUSINESS COMBINATION (CONTINUED)**

**(b) Purchase consideration**

*Outflow of cash to acquire subsidiary, net of cash acquired*

	\$
Cash consideration paid prior to 30 June 2013	8,795,813
Cash consideration paid during the year	1,152,596
Total cash consideration	<u>9,948,409</u>
Less: balances acquired	<u>(490,781)</u>
Net outflow of cash	<u><u>9,457,628</u></u>

*Equity*

	\$
107,000,000 milestone shares and 53,500,000 milestone listed options issued to the vendors of Citation Resources Australia Pty Ltd on 31 July 2013. 53,000,000 shares / 26,500,000 options were issued upon the achievement of a commercial test from Atzam #4 well of at least 200 bopd. 54,000,000 shares / 27,000,000 options were issued upon the Company electing to participate in the second Guatemalan well, Atzam #5	2,675,000
42,500,000 attaching options issued in relation to the acquisition	297,500
53,000,000 shares issued to the vendors of Citation Resources Australia Pty Ltd on 19 September 2012 as consideration for the acquisition	1,060,000
	<u><u>4,032,500</u></u>

The values of shares issued as consideration for the acquisition have been determined based on the share price at the date of issue as there is no other more reliable indicator of fair value available.

The values of options issued as consideration for the acquisition have been determined based on the market price at date of issue, given the options were all listed.

*Contingent consideration*

The Group must pay a 3% overriding royalty calculated on the Company's net revenue share from all Guatemalan wells drilled except Atzam #4.

No value has been recorded in relation to this royalty at 30 June 2014, but rather treated it as a contingent liability.

**19. CASH FLOW INFORMATION**

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

	<b>CONSOLIDATED 2014</b>	<b>CONSOLIDATED 2013</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	(8,028,406)	(517,003)
Adjustments for non-cash movements:		
Depreciation and amortisation	725,762	5,182
Exploration, evaluation and development expenditure	1,482,686	-
Loss on loan conversions	1,370,751	-
Share based payment expense	-	247,000
Impairment of Australian Tenements	627,181	-
Non-cash borrowing costs	2,012,932	-
Loan to subsidiary written off	-	(449)
Gain on loan conversion of issued share	-	(232,667)
Gain on derivative liability	(405,536)	-
Foreign exchange loss	20,526	-
Change in operating assets and liabilities		
(Increase) / decrease in trade and other debtors	385,107	16,356
Increase / (decrease) in trade and other creditors	2,859,987	(149,778)
	<b>1,050,990</b>	<b>(631,359)</b>

**20. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Key Management Personnel Compensation**

	<b>CONSOLIDATED 2014</b>	<b>CONSOLIDATED 2013</b>
	<b>\$</b>	<b>\$</b>
Short-term benefits	294,938	384,500
Share-based payment benefits	-	247,000
Total	<b>294,938</b>	<b>631,500</b>

**(b) 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.

**(c) 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.

## 20. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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

Entity	Note	Nature of transactions	Transactions		Balances	
			Full year 30-Jun-14	Full year 30-Jun-13	Full year 30-Jun-14	Full year 30-Jun-13
			\$	\$	\$	\$
Transerv Energy Ltd	(i)	Reimbursement to/from CTR for corporate administration costs	-	753	-	29
Erin Resources Limited	(ii)	Reimbursement to/from CTR for corporate administration costs	-	7,619	-	731
Tamaska Oil & Gas Limited	(iii)	Reimbursement to/from CTR for corporate administration costs	1,280	3,886	-	7,252
Sibella Capital Pty Ltd	(iv)	Reimbursement to/from CTR for corporate administration costs	1,896	(19,208)	-	482
Okap Ventures Pty Ltd	(v)	Provision of corporate / administration and company secretarial costs	140,000	-	-	-

- (vi) 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.
- (vii) Erin Resources Limited (ERI) is a company associated with Mr Brett Mitchell, who is currently a director of ERI.
- (viii) Tamaska Oil and Gas Limited (TMK) is a company associated with Mr Brett Mitchell, who is currently a director of TMK.
- (ix) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.
- (x) Okap Ventures is a company associated with Mr Peter Landau with Okap providing corporate advisory, company secretarial, CFO, financial management and associated services.

## 21. COMMITMENTS

### (a) Tenement Expenditure Commitments

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

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
No later than 1 year	340,000	4,458,750
Later than 1 year but not later than 5 years	125,000	465,000
Later than 5 years	-	-
	<b>465,000</b>	<b>4,923,750</b>

### (b) Capital Commitments

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. As at 30 June 2014, there was a total loan carry amount outstanding of US\$5.8m.

## 22. CONTINGENT ASSETS AND LIABILITIES

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
Bank guarantee	-	76,371
	-	<b>76,371</b>

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.

The Group must pay a 3% overriding royalty calculated on the Company's net revenue share from all Guatemalan wells drilled except Atzam #4.

## 23. RELATED PARTY TRANSACTIONS

### (d) Parent Entities

The ultimate parent entity within the Group is Citation Resources Ltd, which at 30 June 2014 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.

### (e) 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	
			2014	2013
Parent Entity:				
Citation Resources Limited				
Subsidiaries of Citation Resources Limited:				
Citation Resources Operations Pty Ltd	Australia	Ordinary	100%	100%
Citation Resources Inc <sup>1</sup>	USA	Ordinary	100%	100%
Citation Resources Aus Pty Ltd (formerly Citation Resources Pty Ltd.) <sup>2</sup>	Australia	Ordinary	100%	100%
Subsidiaries of Citation Aus Pty Ltd				
Latin American Resources Ltd	Bahamas	Ordinary	60%	-

<sup>1</sup> There has been no activity in Citation Resources Inc in the current year.

<sup>2</sup> Citation Resources Aus Pty Ltd was acquired on 1 October 2012.

Entity	Relationship	Amount owed 30-Jun-14 \$	Amount owed 30-Jun-13 \$
<i><u>Subsidiaries of Citation Resources Limited</u></i>			
Citation Resources Operations Pty Ltd	A wholly owned subsidiary	4,279,541	4,216,010
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	20,162,024	8,803,094

**24. REMUNERATION OF AUDITORS**

	CONSOLIDATED 2014	CONSOLIDATED 2013
	\$	\$
<b>Amounts due and receivable by Grant Thornton Australia</b>		
Audit and audit review services	60,000	36,145
<b>Amounts due and receivable by Grant Thornton Dallas</b>		
Audit and audit review services	25,000	-
Total auditors remuneration	85,000	36,145

**25. 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 2014	CONSOLIDATED 2013
	\$	\$
<i>Financial Assets</i>		
Cash and cash equivalents	2,106,272	511,727
Loans and receivables	555,492	38,162
<i>Financial liabilities</i>		
Trade and other payables	2,963,840	116,665
Borrowings	979,432	4,298,309
Financial instrument - derivative	960,000	-

**(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.

**25. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(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.

*(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:

	Floating interest rate	1 year or less	Over 1 to 5 years	Non interest bearing	Total	Weighted average interest rate
2014	\$	\$	\$	\$	\$	%
<b>Financial assets</b>						
Cash at bank	2,063,755	2,063,755	-	-	2,063,755	1.15%
Short term deposits	34,817	34,817	-	-	34,817	3.6%
Security deposits	-	-	7,700	7,700	7,700	-
<b>Financial liabilities</b>						
Borrowings	-	2,441,902	-	-	2,441,902	10%

	Floating interest rate	1 year or less	Over 1 to 5 years	Non interest bearing	Total	Weighted average interest rate
2013	\$	\$	\$	\$	\$	%
<b>Financial assets</b>						
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	-
<b>Financial liabilities</b>						
Borrowings	-	4,298,309	-	4,298,309	4,298,309	-

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 10% movement in interest rates, would increase/decrease the annual amount of interest received by \$2,892 (2013: \$4,019).

**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.

## 26. 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 2014		
	\$	\$	\$
	Latin America	Australia	Consolidated
<b>Results</b>			
Income	3,385,396	-	3,385,396
Loss for the period	(3,567,010)	(4,461,396)	(8,028,406)
Comprehensive loss for the period	(3,567,010)	(3,657,542)	(7,224,552)
<b>Assets</b>			
Segment assets	29,858,904	489,266	30,348,170
<b>Total assets</b>	29,858,904	489,266	30,348,170
<b>Liabilities</b>			
Segment liabilities	(2,287,094)	(2,717,818)	(5,004,912)
<b>Total liabilities</b>	(2,287,094)	(2,717,818)	(5,004,912)
<b>Other Segment Information</b>			
Depreciation	(724,919)	(843)	(725,762)
Impairment of exploration	-	(627,181)	(627,181)

Geographical Segment	30 June 2013		
	\$	\$	\$
	Latin America	Australia	Consolidated
<b>Results</b>			
Income	-	719,525	719,525
Loss for the period	(6,832)	(510,171)	(517,003)
Comprehensive loss for the period	(6,832)	(510,171)	(517,003)
<b>Assets</b>			
Segment assets	9,855,813	1,698,428	11,554,241
<b>Total assets</b>	9,855,813	1,698,428	11,554,241
<b>Liabilities</b>			
Segment liabilities	8,803,094	(4,388,120)	4,414,974
<b>Total liabilities</b>	8,803,094	(4,388,120)	4,414,974
<b>Other Segment Information</b>			
Depreciation	-	5,182	5,182
Impairment of exploration	-	-	-

**27. SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS**

The Group includes one subsidiary, Latin American Resources Limited, ("LAR") with material non-controlling interests ("NCI's") – noting the Company acquired LAR during the year

Name	Proportion of Ownership Interests and Voting Rights held by the NCI		Profit Allocated to NCI		Accumulated NCI	
	2014 %	2013 %	2014 \$	2013 \$	2014 \$	2013 \$
Latin American Resources Limited	40%	-	(1,426,804)	-	8,216,207	-

No dividends were paid during the year.

Summarised financial information for LAR, before intra-group eliminations is set out below:

	2014 \$	2013 \$
Current assets	3,588,337	-
Non-current assets	10,598,307	-
<b>Total assets</b>	<b>14,186,644</b>	<b>-</b>
Current liabilities	(2,185,452)	-
Non-current liabilities	(101,642)	-
<b>Total liabilities</b>	<b>(2,287,094)</b>	<b>-</b>
<b>Equity attributable to the Parent</b>	<b>17,127,049</b>	<b>7,139,267</b>
<b>Non-controlling interests</b>	<b>8,216,207</b>	<b>-</b>

	2014 \$	2013 \$
Revenue		
Loss for the year attributable to owners of the Parent	(5,201,357)	(517,003)
Loss for the year attributable to NCI	(1,426,804)	-
<b>Loss for the year</b>	<b>(6,628,161)</b>	<b>(517,003)</b>
<b>Other comprehensive income for the year (all attributable to owners of the Parent)</b>	<b>725,589</b>	<b>-</b>
Total comprehensive loss for the year attributable to owners of the Parent	(4,719,895)	(517,003)
Total comprehensive loss for the year attributable to NCI	(1,104,412)	-
<b>Total comprehensive income for the year</b>	<b>(5,824,307)</b>	<b>(517,003)</b>



## 28. 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.

	<b>PARENT 2014</b>	<b>PARENT 2013</b>
	\$	\$
Current assets	669,027	542,188
Non-current assets	20,897,474	10,448,102
Total assets	21,566,501	10,990,290
Current liabilities	2,716,943	4,414,973
Non-current liabilities	-	-
Total liabilities	2,716,943	4,414,973
Contributed equity	41,873,003	27,041,872
Accumulated losses	(25,130,236)	(22,179,650)
Options reserve	589,404	729,875
Share-based payment reserve	1,517,387	983,220
Total Equity	18,849,559	6,575,317
Loss for the year	(1,550,341)	(5,191,878)
Other comprehensive income	-	-
Total comprehensive income for the year	(1,550,341)	(5,191,878)

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

## 29. DIVIDENDS

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

## 30. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

- The Company issued a Notice of General Meeting to be held on 3 October 2014.

## 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 2014 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 10 to 11 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2014, 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**

30 September 2014, at Perth, Western Australia

## INDEPENDENT AUDITORS REPORT



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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 2014, 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.

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## INDEPENDENT AUDITORS' REPORT



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.

### **Basis for Qualified Opinion**

The following scope limitation occurred during the course of the audit:

#### *Cash and Cash Equivalents*

As disclosed in Note 8 to the financial statements, the Consolidated Entity has included in cash and cash equivalents an amount of \$1,638,685 relating to cash held by its controlled entity, Latin American Resources Ltd, in Guatemala.

We have been unable to obtain sufficient appropriate audit evidence to verify the above amount held in various Guatemalan financial institutions and any other matters that may relate to the banking arrangements between Latin American Resources Ltd and the relevant financial institutions.

Consequently, we have been unable to verify whether any adjustment to the above amount is necessary including its classification or disclosure pursuant to AASB7 Financial Instruments: Disclosures.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph,

- a 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 2014 and of its performance for the year ended on that date; and

**INDEPENDENT AUDITORS REPORT**

- ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Emphasis of Matter**

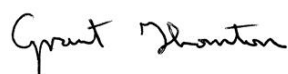
Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of \$8,028,406 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$739,850. These conditions, along with other matters as set forth in Note 2, 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 10 to 12 of the directors' report for the year ended 30 June 2014. 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 Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner - Audit & Assurance

Perth, 30 September 2014

## 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 (2<sup>nd</sup> Edition).

In 2010, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2010 Amendments (2<sup>nd</sup> 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 (2<sup>nd</sup> 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](http://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;

## CORPORATE GOVERNANCE STATEMENT

- 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
Brett Mitchell	Executive Director	36 months
Michael Curnow	Non-Executive	33 months
Peter Landau	Non-Executive	8 months (appointed 7 February 2014)

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.



## CORPORATE GOVERNANCE STATEMENT

### 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.

## CORPORATE GOVERNANCE STATEMENT

### Women Employees, Executives and Board Members

During the year, the Company and its consolidated entities had three (3) female employees/executives:

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

which represented approximately 60% of the total number employees, executives and/or board members of the Company and its consolidated entities excluding LAR. There are currently no female members of the Board of the Company or Company Secretary 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.

### 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.

## CORPORATE GOVERNANCE STATEMENT

### 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 2014 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

## CORPORATE GOVERNANCE STATEMENT

- (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.

#### 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.

## CORPORATE GOVERNANCE STATEMENT

### 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.

#### 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.

## CORPORATE GOVERNANCE STATEMENT

- 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.

### 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.

## **CORPORATE GOVERNANCE STATEMENT**

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.

## ADDITIONAL ASX INFORMATION

### Number of holders of equity securities

The shareholder information set out below was applicable as at 30 September 2014.

### Ordinary shares

As at 30 September 2014, the issued capital comprised of 1,424,665,067 ordinary fully paid shares (ASX code: CTR) held by 1,290 holders.

### Options

At 30 September 2014, the Company had the following options available to be exercised:

- 8,750,000 unlisted options over ordinary shares with an exercise price of \$0.02 each, exercisable on or before 17 July 2017.
- 482,464,750 listed options over ordinary shares with an exercise price of \$0.04 each, exercisable on or before 15 December 2015.

### Distribution of holder's equity security

FULLY PAID ORDINARY SHARES (ASX: CTR)	
HOLDING	NUMBER OF HOLDERS
1 - 1,000	55
1,001 - 5,000	164
5,001 - 10,000	109
10,001 - 100,000	472
100,001 and over	848
Total number of holders	1,648

### Options to acquire fully paid ordinary shares with exercise price of \$0.04 and expiry dates 15 December 2015

HOLDING	NUMBER OF HOLDERS
1 - 1,000	-
1,001 - 5,000	-
5,001 - 10,000	-
10,001 - 100,000	31
100,001 and over	213
Total number of holders	244

### Analysis of Holdings of Unlisted Options in the Company

HOLDING	NUMBER OF HOLDERS
1 - 1,000	-
1,001 - 5,000	-
5,001 - 10,000	-
10,001 - 100,000	-
100,001 and over	1
Total number of holders	1



## ADDITIONAL ASX INFORMATION

### Substantial shareholders

ORDINARY SHAREHOLDERS	FULLY PAID ORDINARY SHARES
	NUMBER
CHIMAERA CAP LTD	100,000,000
RANGE RES LTD	54,081,130
FITEL NOM LTD	51,924,705

### Top twenty shareholders

Rank	Name	Units	% of Units
1.	CHIMAERA CAP LTD	100,000,000	7.01
2.	RANGE RES LTD	54,081,130	3.79
3.	FITEL NOM LTD	51,924,705	3.64
4.	BROWN IVAN	49,039,919	3.44
5.	BEER PHILIP CHARLES	31,806,400	2.23
6.	ORACLE SEC PL	30,000,000	2.11
7.	SEVENTY THREE PL	28,140,939	1.98
8.	JEFFERY MICHAEL NOEL	26,000,000	1.82
9.	IBT HOLDINGS PL	22,500,000	1.58
10.	GORILLA PIT PL	21,040,522	1.48
11.	WATERROX PL	20,000,000	1.40
12.	BALD PETER JAMES	20,000,000	1.40
13.	SEVENTY THREE PL	15,000,000	1.05
14.	J & J BANDY NOM PL	15,000,000	1.05
15.	PERSHING AUST NOM PL	13,500,000	0.95
16.	HOCKING DORIS HELEN	12,500,000	0.88
17.	SMITH MERLE + KATHRYN	11,786,147	0.83
18.	CHEANG KOK ON + CHEW P I	11,500,000	0.81
19.	B & C HAYNES PL	11,000,000	0.77
20.	WALLACE WILLIAM ROBERT	10,689,101	0.75
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b>		<b>555,508,863</b>	<b>38.99</b>

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ACN 118 710 508

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## **NOTICE OF ANNUAL GENERAL MEETING**

**For the Annual General Meeting of the Company  
to be held at 2pm (WST) on  
Wednesday, 26th of November 2014  
at Seminar Room 2  
The University Club of Western Australia  
Hackett Drive, Crawley  
Western Australia**

*This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matters, please do not hesitate to contact the Company Secretary by telephone on +61 8 9488 5220*

# CITATION RESOURCES LTD

ACN 118 710 508

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## IMPORTANT INFORMATION

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### TIME AND PLACE OF MEETING

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Notice is hereby given that an Annual General Meeting of Shareholders of Citation Resources Ltd (**Company**) will be on Wednesday, 26th of November 2014 at 2pm (WST) (**Meeting**).

The University Club of Western Australia  
Seminar Room 2  
Hackett Drive, Crawley  
Western Australia

### YOUR VOTE IS IMPORTANT

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The business of the Meeting affects your shareholding and your vote is important.

### VOTING ELIGIBILITY

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4pm (WST) on 24 November 2014.

### VOTING IN PERSON

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To vote in person, attend the Meeting at the time, date and place set out above.

### VOTING BY PROXY

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. Financial Statements and Report

To table and consider the Annual Financial Report of the Company and its controlled entities for the year ended 30 June 2014 together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report.

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#### 2. Resolution 1 – Adoption of Remuneration Report

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Financial Report for the financial year ended 30 June 2014."*

**Note: the vote on the Resolution is advisory only and does not bind the Directors of the Company**

**Voting Exclusion:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) Expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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#### 3. Resolution 2 – Re-election of Director – Mr Peter Landau

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That in accordance with article 11.12 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Peter Landau, a Director, retires by rotation, and being eligible, is re-elected as a Director."*



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#### 4. **Resolution 3 – Re-election of Director – Mr Michael Curnow**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That in accordance with article 11.12 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Michael Curnow, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

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#### 5. **Resolution 4 – Approval of Options**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of 57,250,000 Loan Options on the terms and conditions in the Explanatory Memorandum."*

##### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by a person who participated in the issue of the Loan Shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of that person:

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 6. **Resolution 5 – Ratification of Loan Shares**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 150,000,000 Loan Shares on the terms and conditions in the Explanatory Memorandum."*

##### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by a person who participated in the issue of the Loan Shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of that person:

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 7. Resolution 6 – Approval of 10% Placement Facility

To consider, and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.”*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associate of such a person) who may participate in the 10% Placement Facility and a person (and any associate of such a person) who might obtain a benefit, except a benefit solely in their capacity as holder of Shares, if the Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated 23 October 2014

### **BY ORDER OF THE BOARD**



**Anthony Eastman**  
Company Secretary

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at Seminar Room 2, The University Club of Western Australia, Hackett Drive, Crawley, Western Australia on Wednesday, 26 November 2014 at 2pm (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

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### 2. Financial Statements and Reports

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.citationresources.com.au](http://www.citationresources.com.au).

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### 3. Resolution 1 – Adoption of Remuneration Report

#### 3.1 General

The Corporations Act requires that at a listed company's Annual General Meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

#### 3.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other

than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

### 3.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

### 3.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

Proxy	Directed	Undirected
Key Management Personnel (other than the Chair) <sup>1</sup>	Can vote directed votes	Cannot vote undirected votes <sup>3</sup>
Chair <sup>2</sup>	Can vote directed votes	Can vote at discretion of Proxy <sup>4</sup>
Other third party	Can vote directed votes	Can vote at discretion of Proxy

Notes:

1. Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.
2. Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member).
3. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.
4. The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions. The Proxy Form states that by appointing the Chair as a proxy (or where the Chair becomes proxy by default) the Shareholder gives the Chair express authority to exercise the proxy on Resolution 1 (except where indicated differently) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

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## 4. Resolution 2 – Re-election of Director – Mr Peter Landau

Mr Peter Landau was appointed as a Non-Executive Director of the Company on 7 February 2014 in accordance with Article 11.11 of the Constitution, which provides that the Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the number specified by the Constitution.

Article 11.12 of the Constitution states that any Director who is appointed under Article 11.11 holds office until the next Annual General Meeting of the Company and is then eligible for re-election.

In accordance with Article 11.12 of the Constitution, Mr Landau retires from office and, being eligible for re-election, submits herself for re-election as a Director of the Company.

Details of the qualifications and experience of Mr Landau are set out in the Company's Annual Report.

The Board believes that Mr Landau has performed the duties and responsibilities of a Non-Executive Director of the Company diligently and professionally since his appointment, in the best interests of all Shareholders.

The Board (excluding Mr Landau) unanimously supports the re-election of Mr Landau.

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## 5. Resolution 3 – Re-election of Director – Mr Michael Curnow

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 year, whichever is the longer.

Mr Michael Curnow was appointed as a Non-Executive Director of the Company on 31 March 2012 and was re-elected as a Director at the annual general meeting of the Company held on 28 November 2013.

Article 11.3 of the Constitution provides that at the Annual General Meeting in every year, one-third of the Directors for the time being, or, if their number is not 3 nor a multiple of 3, the number nearest one-third, and any other Director not in such one-third who has held office for 3 years or more (except the Managing Director), must retire from office, and Article 11.4 of the Constitution states that a retiring Director is eligible for re-election.

In accordance with Article 11.3, Mr Curnow retires from office and, being eligible for re-election, submits himself for re-election as a Director of the Company.

Details of the qualifications and experience of Mr Curnow are set out in the Company's Annual Report.

The Board believes that Mr Curnow has performed the duties and responsibilities of a Non-Executive Director of the Company diligently and professionally since his appointment, in the best interests of all Shareholders.

The Board (excluding Mr Curnow) unanimously supports the re-election of Mr Curnow.

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## **6. Resolution 4 – Approval of Options**

### **6.1 General**

The Company announced on 19 May 2014, it had secured a \$2m debt facility from sophisticated investors. Key terms of the facility are 10% interest rate, \$2.4m repayable in tranches with total settlement on or before 30 April 2015 at any time and 66m unlisted options (\$0.015, 3 year expiry) (**Loan Options**).

These options were approved to be issued at the Company's General Meeting on 3 October 2014, however subsequently, the lenders have agreed to extend the tranche repayment terms and in recognition of this, the Company seeks to replace the previously approved (not issued) loan options.

Therefore, resolution 4 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of the balance of the 66m Loan Options being 57,250,000 Loan Options pursuant to the terms of the debt facility.

### **6.2 Listing Rule 7.1**

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

The effect of Resolution 4 will be to allow the Directors to issue the Loan Options during the period of three months after the Meeting (or a longer period if allowed by ASX) without using the Company's 15% placement capacity.

Resolution 4 is an ordinary resolution.

### **6.3 Specific information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, information is provided in relation to the approval of the issue of the Placement Securities as follows:

- (a) The maximum number of Loan Options to be issued is 57,250,000.
- (b) The Company will issue and allot the Loan Options no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Loan Options are to be issued for nil cash consideration as they are pursuant to the terms of the debt facility
- (d) The Loan Options will have the terms and conditions in Schedule 3.
- (a) The Loan Options are to be issued to the lenders under the debt facility, who are sophisticated investors and who are not related parties or associates of the Company.

- (b) No funds were raised from the issue of the Loan Options as the Loan Options were issued pursuant to the terms of the debt facility.
- (e) A voting exclusion statement is included in the Notice.

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## **7. Resolution 5 – Ratification of Loan Shares**

### **7.1 General**

The Company announced on 19 May 2014, it had secured a \$2m debt facility from sophisticated investors. Key terms of the facility are 10% interest rate, \$2.4m repayable in tranches with total settlement on or before 30 April 2015 at any time and 66m unlisted options (\$0.015, 3 year expiry) (**Loan Options**).

Since the drawdown of the facility, the Company has issued 150,000,000 fully paid ordinary shares to the lenders in part settlement of the debt facility, with 30,000,000 fully paid shares having been issued on or about 15 August 2014, 60,000,000 fully paid ordinary shares having been issued on or about 8 September 2014 and 60,000,000 fully paid ordinary shares having been issued on or about 23 October 2014.

Resolution 5 seeks Shareholder approval for the ratification of the issue of the Loan Shares pursuant to Listing Rule 7.4.

### **7.2 Listing Rule 7.4**

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in a general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The effect of Shareholders passing Resolution 5 by ratifying the issue of the Loan Shares will be to restore the Company's ability to issue further securities, to the extent of 150,000,000 securities, during the next 12 months.

Resolution 5 is an ordinary resolution.

### **7.3 Specific information required by Listing Rule 7.5**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Loan Shares:

- (c) A total of 150,000,000 Loan Shares were issued.
- (d) The Loan Shares were issued at a deemed issue price of \$0.008 per Share for the initial 30,000,000 fully paid ordinary shares and \$0.006 per Share for the first tranche of 60,000,000 fully paid ordinary shares and \$0.004 per Share for the second tranche of 60,000,000 fully paid ordinary shares.
- (e) The Loan Shares are all fully paid ordinary shares in the capital of the Company and rank equally to in all respect with the Company's existing Shares on issue.
- (f) The Loan Shares have been allotted and issued to the funding parties, who are various sophisticated investors who are not related parties or associates of the Company.
- (g) No funds were raised from the issue of the Loan Shares as they were issued to repay outstanding loans.
- (h) A voting exclusion statement is included in the Notice.

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## **8. Resolution 6 – Approval of 10% Placement Facility**

### **8.1 General**

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity, with a market capitalisation of \$5,558,660.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 8.2(c) below).

As disclosed in the Company's announcements to the ASX, the Company continues to actively seek funding for its existing resource assets and investments. The Company may use the 10% Placement Facility to fund its existing resource assets and investments, acquire new resource assets or investments and for general working capital. Resolution 6 is a special resolution, accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

The Directors of the Company believe that Resolution 6 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

## **8.2 Description of Listing Rule 7.1 A**

### **(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

### **(b) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two (2) classes of quoted Equity Securities, being Shares (CTR) and Listed Options (CTRO).

### **(c) Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%.

- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.
- (d) Listing Rule 7.1 and Listing Rule 7.1A
- The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.
- The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 8.2(c) above).
- (e) Minimum Issue Price
- The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (f) 10% Placement Period
- Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:
- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
  - (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),
- (10% Placement Period).**

### **8.3 Listing Rule 7.1A**

The effect of Resolution 6 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

### **8.4 Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:



- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (iii) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (iv) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.002 50% decrease in Issue Price	\$0.004 Issue Price	\$0.008 100% increase in Issue Price
<b>Current Variable A</b> 1,389,665,067	<b>10% voting Dilution</b>	138,966,507	138,966,507	138,966,507
	<b>Funds Raised</b>	\$277,933	\$555,866	\$1,111,732
<b>50% increase in current Variable A</b> 2,084,497,601	<b>10% voting Dilution</b>	208,449,760	208,449,760	208,449,760
	<b>Funds Raised</b>	\$416,900	\$833,799	\$1,667,598
<b>100% increase in current Variable A</b> 2,779,330,134	<b>10% voting Dilution</b>	277.933.013	277.933.013	277.933.013
	<b>Funds Raised</b>	\$555,866	\$111,111,732	\$2,223,464

has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - (ii) No options, performance shares or performance rights are exercised into shares before the date of the issue of Equity Securities.
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based in that Shareholder's holding at the date of the Meeting.
  - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
  - (vii) The issue price is \$0.004 being the closing price of the Shares on the ASX on 24 October 2013.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule

11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking)).

- (d) The Company may seek to issue the Equity Securities for the purpose of raising funds to be used towards the testing programs and drilling activities in relation to the Company's existing oil and gas assets in Guatemala.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (i) The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its 2013 annual general meeting held on 28 November 2013. The total number of Equity Securities issued by the Company in the 12 months preceding the date of this meeting is:

- (i) 41,964,750 Listed Options issued on 13 February 2014;
- (ii) 45,226,132 Shares issued on 4 April 2014;
- (iii) 65,000,000 Shares and 8,750,000 Unlisted Options issued on 17 June 2014;
- (iv) 30,000,000 Shares issued on 15 August 2014;
- (v) 60,000,000 Shares issued on 8 September 2014; and
- (vi) 60,000,000 Shares issued on 23 October 2014

(together, **12 Month Equity Securities**).

The percentage that the 12 Month Equity Securities represent of the total number of Equity Securities (including Shares and Listed Options) on issue at the commencement of that 12 month period is approximately 22%. The table at Schedule 2 details all issues of Equity Securities by the Company during the 12 months preceding the date of this Meeting as required by Listing Rule 7.3A.

- (j) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the notice.

## Schedule 1 - Definitions

In this Notice and the Explanatory

Memorandum: \$ means Australian Dollars.

**10% Placement Facility** has the meaning given in Section 9.1.

**10% Placement Period** has the meaning given in Section 9.2(f).

**Annual Report** means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2013.

**ASX** means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors.

**Business Day** means:

- (c) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (d) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth.

**Chair** or **Chairman** means the person appointed to chair the Meeting convened by this Notice.

**Citation** and **Company** means Citation Resources Ltd ABN 90 118 710 508 and ACN 118 710 508.

**Closely Related Party** means:

- (e) a spouse or child of the member; or
- (f) has the meaning given in section 9 of the Corporations Act.

**Constitution** means the constitution of the Company as at the commencement of the Meeting.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Securities** has the same meaning as in the Listing Rules.

**Explanatory Memorandum** means the explanatory memorandum attached to the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listed Options** means the listed options (CTRO) exercisable at \$0.04 and expiring on 15 December 2015.

**Listing Rules** means the listing rules of ASX.

**Meeting** has the meaning in the introductory paragraph of the Notice.

**Notice** means this notice of meeting.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report. **Resolution** means a resolution contained in the Notice.

**Schedule** means a schedule to this Notice.

**Section** means a section contained in this Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules. **Unlisted Options** means the unlisted options exercisable at \$0.015 and expiring on 17 June 2017. **WST** means Western Standard Time, being the time in Perth, Western Australia.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

## Schedule 2 – Loan Options Terms and Conditions

**(a) Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

**(b) Exercise Price and Expiry Date**

The Options have an exercise price of 0.7 (**Exercise Price**) and an expiry date of 17 June 2017 (**Expiry Date**).

**(c) Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date.

**(d) Notice of Exercise**

The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

**(e) Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then shares of the Company.

**(f) Quotation of Shares on exercise**

Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

**(g) Timing of issue of Shares**

Within 15 Business Days after the receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised the Company will allot and issue the Shares pursuant to the exercise of the Options.

**(h) Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

**(i) Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

**(j) Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Option.

**(k) Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

**(l) Quotation of the Options**

The Company will look to apply for quotation of the Options on ASX.

**(m) Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

### Schedule 3 – Issues of Equity Securities by the Company over the last 12 Months

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
13 February 2014	41,964,750	Listed Options <sup>2</sup>	Sophisticated and professional investors with short term financing facility to the Company	No issue price (non-cash consideration)	Consideration: recognition of extension of short term financing facility term Current value <sup>5</sup> = \$41,965
4 April 2014	45,226,132	Shares <sup>3</sup>	Sophisticated and professional investors with short term financing facility to the Company	No issue price (non-cash consideration)	Consideration: partial repayment of short term financing facility Current value <sup>6</sup> = \$180,905
17 June 2014	8,750,000	Unlisted Options <sup>4</sup>	Sophisticated and professional investors with short term financing facility to the Company	No issue price (non-cash consideration)	Consideration: debt raising fee Current value <sup>7</sup> = \$13,466
15 July 2014	65,000,000	Shares <sup>3</sup>	Sophisticated and professional investors with short term financing facility to the Company	No issue price (non-cash consideration)	Consideration: in relation to retention and incentive plans Current value <sup>6</sup> = \$260,000
15 August 2014	30,000,000	Shares <sup>3</sup>	Sophisticated and professional investors with short term financing facility to the Company	No issue price (non-cash consideration)	Consideration: partial repayment of short term financing facility Current value <sup>6</sup> = \$120,000
8 September 2014	60,000,000	Shares <sup>3</sup>	Sophisticated and professional investors with short term financing facility to the Company	No issue price (non-cash consideration)	Consideration: partial repayment of short term financing facility Current value <sup>6</sup> = \$240,000
23 October 2014	60,000,000	Shares <sup>3</sup>	Sophisticated and professional investors with short term financing facility to the Company	No issue price (non-cash consideration)	Consideration: partial repayment of short term financing facility Current value <sup>6</sup> = \$240,000

<sup>1</sup> Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.

<sup>2</sup> Listed Options, exercisable at \$0.04 each, on or before 15 December 2015, ASX Code: CTRO

<sup>3</sup> Fully Paid Ordinary Shares in the capital of the Company, ASX Code: CTR (terms are set out in the Constitution).

<sup>4</sup> Unlisted Options, exercisable at \$0.015 each, on or before 17 June 2017.

<sup>5</sup> The value is based on the closing price of the Quoted Options (\$0.001) on the ASX on the trading day prior to the date of the finalisation of this Notice, being 3 October 2014.

<sup>6</sup> The value is based on the closing price of the Shares (\$0.004) on the ASX on the trading day prior to the date of the finalisation of this Notice, being 3 October 2014.

<sup>7</sup> The value of Unquoted Options is measured using the Black & Scholes option pricing model that takes into account the exercise price, the term of the Unquoted Options, the share price at grant date and expected price volatility of the underlying Share and the risk free interest rate for the term of the Unquoted Options.

# CITATION RESOURCES LTD

ACN 118 710 508

## PROXY FORM

The Company Secretary  
Citation Resources Ltd

**By delivery:**

Ground Floor,  
1 Havelock Street  
West Perth WA 6005

**By post:**

PO Box 684  
West Perth WA 6005

**By facsimile:**

+61 8 9324 2400

Name of Shareholder:

Address of  
Shareholder:

Number of Shares  
entitled to vote:

Please mark ☒ to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the Meeting.

### Step 1 - Appoint a Proxy to Vote on Your Behalf

The Chairman of the  
Meeting (mark box)

☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Meeting of the Company to be held at 2:00 pm (WST time) on Wednesday, 26 November 2014, at Seminar Room 2, The University Cub of Western Australia, Hackett Drive, Crawley, Western Australia and at any adjournment or postponement of that Meeting.

### Important – If the Chairman of the Meeting is your proxy or is appointed your proxy by default

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 1. If the Chairman of the Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 1, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

### Step 2 - Instructions as to Voting on Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr Peter Landau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Director – Mr Michael Curnow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Loan Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of Loan Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.

### Authorised signature/s

This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

**Proxy Notes:**

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding:                      where the holding is in more than one name all of the holders must sign.

Power of Attorney:              if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies:                      a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate 'Certificate of Appointment of Representative' should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the office of the Company at Ground Floor, 1 Havelock Street, West Perth, WA 6005, Western Australia, or by post to PO Box 684, West Perth WA 6872, or facsimile (08) 9324 2400 if faxed from within Australia (or +61 8 9324 2400 if faxed from outside Australia), not less than 48 hours prior to the time of commencement of the Meeting (WST).