

15 August 2014

ASX Announcement

Atzam #5 Testing Program Continuing – Key Intervals Remain To Be Tested

Key Points

- **Key target carbonate intervals- C13, C14 and C17- in the Atzam #5 well are yet to be tested for commercial flow rates**
- **Testing operations are ongoing in the Atzam #5 well- including the C17 section that is still to be perforated and is the producing reservoir unit in the Atzam #4 well**
- **Atzam #4 daily production continues at approximately 170 barrels per day from natural reservoir pressure- without downhole pump and nil water production to date**
- **Testing operations resumed in mid July with perforation and testing the prospective C18 carbonates sections located behind casing – above final casing point at 3,600 feet**
- **Operator is evaluating potential acid wash on C18 perforated zones to attempt to establish a commercial flow rates, before moving up and testing the prospective C17 carbonate sections (and C13 and 14 as required)**
- **Operator estimate ~200 feet of potential net pay across all carbonate sections drilled in Atzam #5 from Schlumberger log analysis**
- **Atzam #5 well successfully drilled to 4,025 feet (cased to 3,600 feet), high on structure to the producing Atzam #4 well (~66 feet) and Atzam #2 (~320 feet)**

Atzam #5 Well –Testing Operations Continue

Citation Resources Ltd (ASX: CTR) (**Company** or **Citation**) advises that testing operations recommenced on the Atzam #5 well in mid July, with the perforating of 4 prospective C18 carbonate intervals located behind production casing above the final casing point at 3,600 feet. This operation was undertaken with a larger 7 inch perforation gun sourced by Schlumberger from Mexico to enable more of the targeted carbonate sections to be opened up to the wellbore, to help evaluate the commercial flow rate potential of each zone.

The Atzam #5 testing operations on the C18 section started from around 3,500 feet, and perforated 4 zones of interest. Oil and reservoir water was produced whilst testing these perforated C18 zones both individually and comingled, but not at material commercial rates to put the well immediately on production. The Operator is now evaluating acid wash and stimulation of the most prospective of these C18 carbonate sections to try and establish a commercial flow rate. If this is not undertaken, the testing program will move up to the C17 section which is the producing reservoir unit in the Atzam #4 well.

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.

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.

Partial Repayment of Debt Facility

As part of the Company's debt facility announced on 19 May 2014, the Company has issued the lenders 30,000,000 fully paid ordinary shares to be offset against amounts outstanding under the debt facility. An Appendix 3B for the share issue is attached.

Notice under Section 708A(5)(e) of the Corporations Act

The Company advises that the Act restricts the on-sale of securities issued without disclosure, unless the sale is exempt under section 708 or 708A. By the Company giving this notice, a sale of the securities will fall within the exemption in section 708A(5) of the Act.

The Company hereby notifies ASX under paragraph 708A(5)(e) of the Act that:

1. the Company issued the securities without disclosure to investors under Part 6D.2 of the Act;
2. as at the date of this notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company, and section 674 of the Act; and
3. as at the date of this notice, there is no information that is excluded information under section 708A(7) and (8) of the Act that has not already been disclosed to investors generally.

For and on behalf of the Board**Competent Person Statement**

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

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

Citation Resources Ltd

ABN

90 118 710 508

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---------------------------------------|
| 1 | +Class of +securities issued or to be issued | Fully Paid Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 30,000,000 Fully Paid Ordinary Shares |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully Paid Ordinary Shares |

+ See chapter 19 for defined terms.

4	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Yes
5	Issue price or consideration	Shares issued to offset amounts under debt facility (at a deemed issue price of 0.008)
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Shares issued to offset amount outstanding under debt facility.
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	28 November 2013
6c	Number of +securities issued without security holder approval under rule 7.1	73,750,000
6d	Number of +securities issued with security holder approval under rule 7.1A	30,000,000

+ See chapter 19 for defined terms.

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil						
6f	Number of securities issued under an exception in rule 7.2	Not applicable						
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	Yes Source of VWAP is IRESS. 75% 15 day VWAP at 14 August is 0.0064 Deemed issue price at 14 August at 0.008						
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable						
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	See Annexure 1						
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	15 August 2014						
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>1,329,665,067</td><td>Ordinary Shares</td></tr><tr><td>482,464,750</td><td>Options ex \$0.04, exp 15/12/15</td></tr></table>	Number	+Class	1,329,665,067	Ordinary Shares	482,464,750	Options ex \$0.04, exp 15/12/15
Number	+Class							
1,329,665,067	Ordinary Shares							
482,464,750	Options ex \$0.04, exp 15/12/15							

+ See chapter 19 for defined terms.

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	8,750,000	Unlisted Options ex \$0.015, exp 17/06/17
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	The Company does not have a dividend policy	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	Not applicable
12	Is the issue renounceable or non-renounceable?	Not applicable
13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable
15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable

+ See chapter 19 for defined terms.

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not applicable
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable

+ See chapter 19 for defined terms.

- 32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)? Not applicable
- 33 ⁺Despatch date Not applicable

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1 (Ordinary Shares Only)

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
- 1 - 1,000
 - 1,001 - 5,000
 - 5,001 - 10,000
 - 10,001 - 100,000
 - 100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:
Company Secretary

Date: 15 August 2014

Print name: Sara Kelly

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	632,278,448
Add the following: <ul style="list-style-type: none"> Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid ordinary securities issued in that 12 month period with shareholder approval Number of partly paid ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	99,000,000 Ordinary Shares (issued 31 July 2013, ratified by shareholders on 25 September 2013) 300,000,000 Ordinary Shares (issued 19 August 2013, the issue of 50,000,000 shares ratified by shareholders on 25 September 2013) 158,160,487 Ordinary Shares (issued 17 October 2013, approved by shareholders on 25 September 2013)
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	1,189,438,935

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	178,415,840
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>41,964,750 Listed Options (issued on 13 February 2014)</p> <p>45,226,132 Ordinary Shares (issued on 4 April 2014)</p> <p>65,000,000 Ordinary Shares (issued on or about 17 June 2014 and the subject of this Appendix 3B)</p> <p>45,226,132 Unlisted Options (\$0.015, 17 June 2017) issued on or about 17 June 2014 and the subject of this Appendix 3B</p>
“C”	160,940,882
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	178,415,840
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	160,940,882
Total [“A” x 0.15] – “C”	17,474,958 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	1,189,438,935
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	118,943,893
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	30,000,000 (issued on 14 August 2014 and subject to this Appendix 3B)
“E”	30,000,000

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	118,943,893
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	30,000,000
Total [“A” x 0.10] – “E”	88,943,893 <i>[Note: this is the remaining placement capacity under rule 7.1A]</i>

+ See chapter 19 for defined terms.