

31 July 2015

ASX Announcement

June 2015 Quarterly Activity Report and Appendix 5B

The Board of Citation Resources Limited (**ASX:CTR**) ("**Citation**" or the "**Company**"), provides the following commentary and Appendix 5B for the quarter ending 30 June 2015.

- **Heads of Agreement signed to acquire 40% of tyre recycling/energy recovery business Pearl Global Pty Ltd (Pearl) – with the option to eventually move to 100%**
- **Pearl holds the worldwide licensing rights to its unique, clean emission technology to convert used tyres via a proprietary thermal desorption process into clean fuels, scrap steel, carbon black and syngas (self-powered)**
- **Global market opportunities being negotiated - converting major environmental liabilities (tyre dumps) into energy, industrial and petroleum products**
- **Modular conversion units, transportable and highly scalable to suit each individual projects**
- **Low capex , quick payback - under 12 months**
- **The Russell-Bevly #2 (RB #2) well at the North Chapman Ranch Project was successfully drilled to its total depth of 13,672ft**
- **Two material gas and condensate shows recorded and logged in the main reservoir target zone - Howell Hight ("HH") sandstone reservoir**
- **The Operator (Ventex Operating Corp) has issued a completion notice and run production casing to TD, ready to commence production testing on the prospective Howell Hight intervals**
- **RB #2 is an infill appraisal well located between the successful Smith #1 and Russell Bevly # 1 wells, which previously achieved combined production rates of 9.3 MMcf & 800 bbl of oil per day**

Investment in Pearl Global

Citation was extremely pleased to announce during the quarter that it had executed a Heads of Agreement with Pearl Global Pty Ltd ("**Pearl**") pursuant to which the Company has the right to earn and acquire an initial 40% shareholding interest in Pearl ("**HoA**"). The Company will shortly hold a General Meeting of Shareholders to approve the investment and related matters as announced during the quarter, and is advanced in the drafting of the formal Share Purchase Agreement.

Pearl is a private unlisted Australian company which holds the exclusive worldwide licensing rights to a unique tyre recovery process ("**TRR Project**") which converts waste rubber into clean fuels, scrap steel and carbon black in an environmentally safe and productive manner. The TRR Project proprietary technology is self powered using syngas generated from the energy conversion process and has a very low comparative capital and operating expenditure to other conversion technologies. A power point presentation summarising the TRR Project technology was released by Citation during the quarter and is available on the Company's website.

The TRR Project (also known as the '**Erasmus Process**') is a process by which end of life vehicle tyres are converted into commercial by products with near zero emissions by virtue of a unique heating system

which manages certain key elements within the thermal desorption process – the keys to the Pearl Process.

Key Advantages / Features of the TRR Project

At present in Australia and a number of major countries worldwide, approximately 15% of used tyres are recycled, 20% are exported and 65% are disposed of in landfill. Used tyres are now banned from landfill in selected states in Australia (and certain other countries) and are classed as hazardous waste, meaning their handling and disposal is heavily restricted. Disposal costs are significant which has encouraged significant illegal dumping, and as such, regulators have established clean up targets for used tyres.

The TRR Project successfully removes the main obstacles that block sustainable waste conversion of rubber by keeping emissions well under the world's strictest environmental standards (EU 6), targeting directly the waste source thus reducing the cost of transport, and reclaiming and reusing the valuable materials that makes rubber sustainable and economically attractive.

The business model of the TRR Project is to reuse discarded resources and sell derivatives to customers, thereby opening multiple revenue channels by the sale of by products including fuels, electricity (through the utilisation of gases produced), carbon black and steel. As such, the TRR Project converts waste streams into commercially viable resources and reduces the environmental impact of used rubber by eradicating emissions and reducing landfill volumes. Manufacturing input costs for the TRR Project are negligible given discarded waste is the raw material used in the process. In addition, in various jurisdictions there may be the ability for the operations to attract further revenue through carbon credits. The TRR Project involves shredding used tyres to ensure higher yields of derivatives. The TRR Project's modular design and comparatively low capital expenditure provides for rapid site mobilisation. The rubber to be recycled enters a unique endothermic thermal desorption unit where the tyres are broken down into their constituent parts and collected for resale to relevant offtakers. The key products generated through the process are high calorific fuels, carbon black and scrap steel. The plants are effectively a renewable energy conversion process which are self generating through the power utilisation of gases produced. The units only use a small amount of the syngas produced, with the excess syngas available to be sold for power generation requirements which is a significant material commercial benefit in places like Africa.

Pearl is in advanced discussions with several key jurisdictions overseas as well as industries for the supply of used tyres and also for the sale of offtake products from the TRR Project.

Capital Raising

As part of the Pearl investment terms, the Company announced its plans to undertake a capital raising by way of a underwritten entitlement issue to shareholders on a 2 new shares for 1 existing basis at an issue price of \$0.05 per Share to raise approximately \$5,500,000 (before expenses) ("**Capital Raising**"). The Capital Raising will be undertaken via a transaction specific prospectus which will be completed shortly. The Company's intended strategy, is to use funds from the Capital Raising to conduct further evaluation and development activities on both its existing projects (being the North Chapman Ranch and East Texas Cotton Valley oil projects in Texas, USA and the Atzam and Tortugas oil projects in Guatemala) and on earning an initial 40% interest in Pearl (and thereby the TRR Project) and also as general working capital. The Company is in advanced discussions with parties with interest to potentially underwrite this offer, and an offer document is expected to be issued in early August.

Citation's Texas Oil and Gas Projects – North Chapman Ranch

Citation is pleased to advise that the Russel Bevly #2 well was successfully drilled to a total depth of 13,672ft, and encountered 2 significant gas shows in the priority Howell Hight reservoir section. The Operator subsequently issued a completion notice to all project partners and ran completion casing into the hole down to the final casing point at 13,607ft. The completion casing has been set and production testing on the prospective sections is expected to commence shortly.

The Russell Bevly #2 is an infill appraisal well with a target depth of 14,250 feet (approx 4,350m) and is located between the successful Smith #1 and Russell Bevly # 1 wells that previously achieved combined production rates of 9.3 MMcf & 800 bbl of oil per day following successful well stimulation¹.

Citation pre-paid in full its share of the dry hole AFE costs to the Operator for the Russel Bevly #2 appraisal prior to the drilling of the well. The Company's share of extended testing and completion costs will be funded by the recently announced placement of 10,000,000 ordinary shares at 5 cents each to raise \$500,000, which is expected to be completed shortly.

Texas Oil and Gas Projects

The North Chapman Ranch Project (Citation holds rights to 18.2% WI²) is located in Nueces County, Texas, comprising approximately 1,680 acres.

Following the commercial discovery of the Smith #1 well in December 2009, a multi well program was initiated that saw 4 appraisal / development wells drilled across the license area, with the latest well, the Albrecht #2 well, being drilled during the 2013/14 year, to determine the south-eastern extension of the Howell Hight ("HH") sandstone reservoirs. Whilst the well encountered the HH at the predicted depth, it did not flow at a commercial rate after completion.

Following the Albrecht #2 well, the Operator (Western Gulf) completed a detailed technical review on the location of future wells, which has led to the recommendation that future development efforts should focus on the more proven area in the North that surrounds the successful Smith #1 and Russel Bevly #1 wells.

As a result the Operator has proposed the Russell-Bevly #2 well ("RB #2"), to target 40 acres of proven reservoir and to optimise infill well spacing following volumetric analysis on the current wells. RB #2 will be the first infill well on this 40 acre spacing between the successful Smith #1 and Russel Bevly #1 wells.

This well is the first well in which the Company will participate in the NCR project, and is the first well in the project's updated development focus, with a target spudding date of May 2015. If results mirror that of the Smith #1 and Russel Bevly #1 wells (which had combined production of 9.3 MMcf and 800 bbl of oil per day following successful well stimulation³), then it is likely that a multi-well development program would be justified.

The East Texas Cotton Valley Project (Citation holds rights to 21.75% WI) is located in Red River County, Texas, comprising approximately 1,570 gross acres and has one marginally successful horizontal well, the Ross 3H. This well encountered water influx however it still produced, with additional work being performed to determine the scope of water encroachment from the nearby field.

¹ As reported in the Range Resources Limited 2011 Annual Report

² The working interest with respect to NCR has a back in right from outside parties of up to 2.25%.

³ As reported in the Range Resources Limited 2011 Annual Report

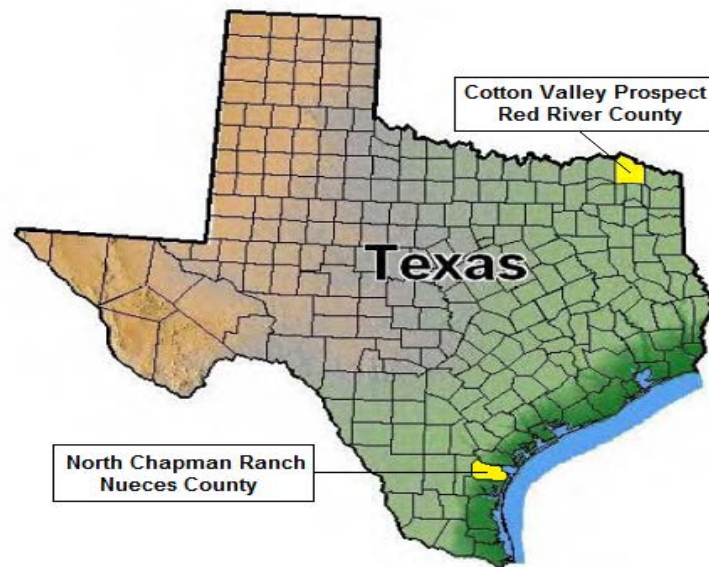


Figure 1: County Map of the State of Texas

Atzam Oil Project- Guatemala

The Atzam 4 production has continued during the June quarter, however detailed well production data is currently unavailable. The Atzam 5 appraisal well testing program remains suspended, with the program initially delayed to enable the Operator to complete further technical reviews and will remain suspended until a new farm in partner is secured to fund the recommencement of testing. A majority of the prospective sections remain untested which include all the prospective zones from the C13 to C17 carbonates sections inclusive. The C17 carbonate is the producing section in the Atzam #4 well.

As previously reported, the Company is in the final stages of negotiations to facilitate a farm out arrangement to ensure the Project is fully funded for all future funding obligations by a new farm in partner.

Corporate

The Company completed a general working capital placement during the quarter to raise \$500,000 (before costs) with 10,000,000 ordinary shares at an issue price of \$0.05 per share plus one free attaching option for every two shares issued (exercisable at \$0.05 on or before 30 June 2017⁴) to professional and sophisticated investors to raise \$500,000 (before costs). The funds from the Placement were used by the Company to payout Company trade creditors, general working capital and initial administrative costs relating to the Pearl transaction.

During the quarter the Company also settled \$1m of its existing debt facility via the issue of 20,000,000 Shares (and 10,000,000 options – 30 June 2017, \$0.05¹) at a deemed issue price of \$0.05 per Share to its lending syndicate (**Debt Conversion**).

As at 30 June the Company held cash at bank of \$449k.

For and on behalf of the Board

Citation Resources Limited

⁴ The options are subject to shareholder approval

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

CITATION RESOURCES LIMITED

ABN

90 118 710 508

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	730	3,151
1.2	Payments for (a) exploration & evaluation	(300)	(1,570)
	(b) development	-	(100)
	(c) production	(551)	(2,533)
	(d) administration	(425)	(1,336)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	7
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – prepayment for North Chapman Ranch Well – Texas	-	(808)
Net Operating Cash Flows		(545)	(3,189)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(500)
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	(500)
1.13	Total operating and investing cash flows (carried forward)	(545)	(3,689)

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Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(545)	(3,689)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,470	1,470
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	1,472
1.17	Repayment of borrowings	(550)	(910)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	920	2,032
	Net increase (decrease) in cash held	375	(1,657)
1.20	Cash at beginning of quarter/year to date	74	2,106
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	449	449

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	37
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

Nil

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

Nil

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Mining exploration entity and oil and gas exploration entity quarterly report

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,750	1,750
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
4.3 Production	400
4.4 Administration	150
Total	650

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	449	74
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	449	74

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Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A	N/A	N/A
6.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities			
7.2	<i>(description)</i> Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	*Ordinary securities	47,296,861	47,296,861	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	30,000,000 n/a	30,000,000 n/a	\$0.05 n/a

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Mining exploration entity and oil and gas exploration entity quarterly report

7.5	*Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	4,824,658	4,824,658	Exercise Price \$4.00	Expiry Date 15 December 2015
		87,500		\$1.50	17 June 2017
		670,000		\$0.50	31 January 2020
		330,000		\$0.40	31 January 2020
		330,000		\$0.30	31 January 2020
7.8	Issued during quarter	670,000	-	\$0.50	31 January 2020
		330,000		\$0.40	31 January 2020
		330,000		\$0.30	31 January 2020
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

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Mining exploration entity and oil and gas exploration entity quarterly report



Anthony Eastman

Director

Date: 31 July 2015

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Appendix 1 – Interests in Mining and Oil & Gas Licensees Held

Tenement Reference	Location	Working Interest at Beginning of Quarter	Acquired / Disposed / Relinquished	Working Interest at End of Quarter
EPC1751 – Capella	QLD - Australia	100%	-	100%
EPC1864 – Pumpkin Hill	QLD - Australia	100%	-	100%
EPC1748 – Kumbarilla	QLD - Australia	100%	-	100%
Atzam	Guatemala	60%	-	60%
Tortugas	Guatemala	60%	-	60%
North Chapman Ranch	Texas, USA	-	18.2% *, **	18.2%
East Texas Cotton Valley	Texas, USA	-	21.75% **	21.75%

* The working interest with respect to NCR has a back in right from outside parties of up to 2.25%.

** As announced during the March 2015 quarter, as part of the US\$800,000 financing, Maxmilian are holding the shares in RARL (which hold NCR and ETCV) effectively on trust for up to 12 months, until the bullet repayment is made upon which the security is released and the Company will receive 100% of the issued shares in RARL.