

8 July 2015

ASX Announcement

North Chapman Ranch RB#2 Well Drilling Update #3

Highlights

- The Russell-Bevly #2 (RB #2) well at the North Chapman Ranch Project is drilling ahead at 12,220ft
- Intermediate casing successfully run and set to casing point at 11,430ft
- 30 day drill program estimate on track - Well scheduled total depth (TD) is 14,250ft
- Priority target formation- Howell Hight ("HH") sandstone reservoir- expected from 13,500 ft
- 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
- The RB #2 appraisal well was spudded on 12 June 2015
- Total dry hole AFE US\$3.4m (CTR's share ~US\$613k prepaid in full)

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

Citation Resources Limited ("Citation" or "the Company") is pleased to advise that the Russel Bevly #2 well has successfully drilled ahead from setting intermediate casing down to 11,430ft and is currently at 12,220ft. A 30-day drilling program is scheduled by the Operator (Ventex Operating Corp.), with the Howell Hight priority sandstone reservoir formation top expected to be intersected from 13,500 ft.

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 has already pre-paid in full its share of the dry hole AFE costs (US\$613,000) to the Operator for the Russel Bevly #2 appraisal well on the North Chapman Ranch project.

Texas Oil and Gas Projects

The North Chapman Ranch Project (Citation acquired 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.

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%.



The total dry hole cost of the well is estimated at US\$3.4m with an additional US\$1.3m for completion costs to tie into production.

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 Bevely #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 acquired 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.

For and on behalf of the Board

Citation Resources Limited

³ As reported in the Range Resources Limited 2011 Annual Report