

29 July 2013

ASX Announcement

Company and Operations Update

- **Atzam #4 continues to produce between 130-140 bopd on restricted 8/64ths choke**
- **Nearly 5,000 barrels of oil produced by Atzam #4 to date**
- **Finalising operational plans for two well re-entries and 6 potential new wells on the Tortugas Salt Dome structure for late 2013/ early 2014. Re-entries expected to produce between 200-300 bopd per well;**
- **Updated reserve report on Atzam #4 well due this month - expected upgrade to the current Probable Reserve estimate of 2.3m bbls;**
- **Spudding Atzam #5 development well expected in September; and**
- **Following success of flow testing of Atzam #4 in excess of 1,000 bopd, decision to proceed with Atzam #5 triggers milestone share issues.**

Operational Update

Atzam Oil Project

The Atzam #4 well is continuing to produce good quality 38°API oil at rates between 130-140 bopd on a restricted 8/64ths choke, with the production rate planned to be significantly increased once the current onsite tank storage capacity and transport logistics are resolved through offtake contracts. The project owner and Operator, Latin American Resources (LAR), is in advanced negotiations with a number of oil companies on short term and long term offtake contracts for the Atzam #4 oil production, and the Company will advise the market as soon as contracts are in place.

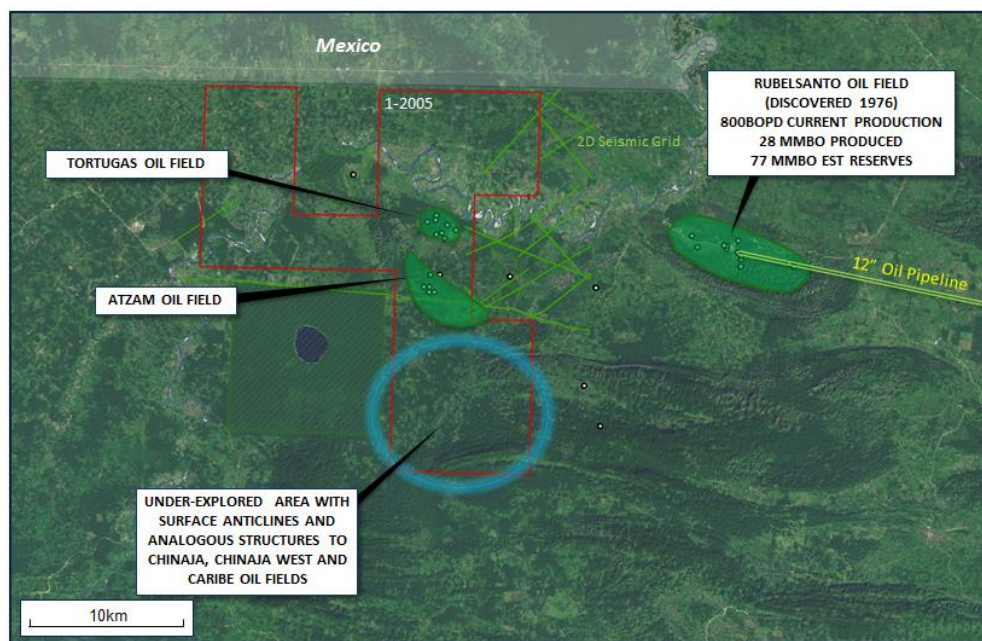
Importantly this production continues from natural reservoir pressures and without assistance from a submersible pump, which is normally used for producing these carbonate sections.

The Operator estimates this producing C 17 carbonate section would produce in excess of 1,000 bopd on an open choke based on the flow rates recorded to date on various choke sizes up to 32/64ths, together with the downhole and well head pressures data from this zone. The optimal choke size and production rate will be determined by the Operator and reserve engineers to maximize the flow rate but protect the integrity of the producing reservoir section once onsite storage capacity is resolved.

Tortugas Salt Dome Project

The Company is currently advanced with operations planning with LAR, Operator of Block 1-2005, to complete 2 well re-entries in conjunction with potentially 6 new well locations on the the Tortugas Salt Dome structure. The well re-entries on two 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. In the mid 80's, 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 ft., with the majority of the other wells having oil shows in multiple zones.



Project Location and Exploration Potential

Revised reserve report on Atzam #4 well

The Company is expecting an updated independent Atzam #4 well reserve report, resulting from the successful well flow testing program and the recent production flow rates of the well as previously reported. The initial Atzam #4 independent reserve report stated a 2.3m barrel Probable Reserve based on the drilling and logging data from the well, and will be updated based on the production flow rates together with the pressure and reservoir data from the recently completed testing program from this Upper C17 production zone during June.

Corporate Update

The Company confirms that following the recent production success of the Atzam #4 well, and the Board's decision to participate in the follow-up Atzam #5 development well, the Company will proceed to issue the milestone securities to the vendors of Citation Resources Aus Pty Ltd as detailed in the recent Notice of Meeting. The Company will also convert the existing Range Resources Ltd (ASX: RRS) working capital and project financing loans to equity, as recently agreed with Range and pursuant to the Term Sheet dated 3 July 2012.

Further, the parties to the Project have agreed to amend the previous earn-in terms to reflect the extended time and cost to successfully flow the Atzam #4 well and recognise all funding provided for operations and project acquisition costs to date.

Following the earn-in of the 70% LAR equity interest, Citation is now required to loan carry the 30% shareholders on total project funding for a further US\$12m. This has been significantly reduced from \$18m in the original agreement, whilst retaining the \$25m cap.

Conversion of Range Resources Loan to Equity

Following the decision to drill the Atzam #5 development well, the Company has executed a debt conversion agreement with Range, under which the total loans and interest owed to Range be converted into direct equity in the Company and the transfer of a 10% working interest in LAR. Following the conversion of the loans, which will be completed in a two stage process, Range will hold an approximately 19% shareholding in Citation and a 20% shareholding in LAR. As a result, Citation will be debt-free and retain a 60% equity interest and remain the major shareholder of LAR post completion of earn-in.

Loan Agreement

Prior to finalising a comprehensive financing package for the development of the Atzam and Tortugas oil fields, the Company has entered into short term Loan Agreements with third parties up to \$1m. The Loans are unsecured, interest free and mature on 30 September 2013. The Lenders have the right to convert the loans on equivalent terms to any capital raising undertaken by Citation prior to maturity, or have the loans repaid. The Company will issue up to 25m options (CTRO) to the Lenders in consideration for the Loans in lieu of interest and security.

An Appendix 3B is attached setting out the equity security issues referred to above.



Brett Mitchell
Executive Director

Competent Person Statement

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

Appendix 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 | (a) Fully Paid Ordinary Shares

(b) Listed Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) 187,222,222 Fully Paid Ordinary Shares

(b) 93,611,111 Listed Options |
| 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) | (a) Fully Paid Ordinary Shares

(b) Listed Options ex \$0.04 and expiring on 15 December 2015 |

+ See chapter 19 for defined terms.

4	Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities? If the additional securities do not rank equally, please state: • 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	(a) Fully Paid Ordinary Shares – Yes (b) Listed Options – Yes, rank equally with existing class of listed options (CTRO)
5	Issue price or consideration	\$0.02 per Ordinary Share, with one (1) free attaching option (issued for nil cash consideration) for every two (2) Ordinary Shares issued
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	(a) Fully Paid Ordinary Shares – 187,222,222 Ordinary Shares issued by the Company in relation to the Range Additional Securities and the Milestone 1 and 2 Securities approved by shareholders at the General Meeting held on 10 July 2013 (b) Listed Options – 93,611,111 free attaching Listed Options issued by the Company in relation to the Range Additional Securities and the Milestone 1 and 2 Securities approved by shareholders at the General Meeting held on 10 July 2013
6a	Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the ⁺securities the subject of this Appendix 3B, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	23 November 2012
6c	Number of ⁺ securities issued without security holder approval under rule 7.1	Nil

⁺ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	Nil	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	(a) 187,222,222 Fully Paid Ordinary Shares (b) 93,611,111 Listed Options Approved by shareholders at the General Meeting held on 10 July 2013	
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.	Not applicable	
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	94,810,803 – capacity under Listing Rule 7.1 63,207,202 – capacity under Listing Rule 7.1A	
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	31 July 2013	
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	Number	+Class
		632,278,448	Ordinary Shares
		226,563,271	Options ex \$0.07, exp 31/7/13
		221,750,000	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)		
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
20	Names of any underwriters	Not applicable

+ See chapter 19 for defined terms.

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

+ See chapter 19 for defined terms.

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

(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: Date: 29 July 2013
Executive Director

Print name: BRETT MITCHELL

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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	226,572,021
Add the following: - 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 <i>Note:</i> - 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	32,000,000 Ordinary Shares (issued 16 July 2012) 53,000,000 Ordinary Shares (issued 19 September 2012) 30,000,000 Ordinary Shares (issued 4 October 2012) 39,750,000 Ordinary Shares (issued 22 February 2013) 24,750,000 Ordinary Shares (issued 1 March 2013) 38,777,778 Ordinary Shares (issued 16 April 2013) 187,222,222 Ordinary Shares (issued 31 July 2013)
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	632,072,021

+ 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	94,810,803
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 Note: • <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>	8,750 Ordinary Shares (issued 12 October 2012)
“C”	8,750
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	94,810,803
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	8,750
Total [“A” x 0.15] – “C”	94,802,053 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

Part 2

+ See chapter 19 for defined terms.

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>	632,072,021
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	63,207,202
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 <i>Notes:</i> • <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>	Nil
“E”	0

+ 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>	63,207,202
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	0
Total [“A” x 0.10] – “E”	63,207,202 <i>[Note: this is the remaining placement capacity under rule 7.1A]</i>

+ See chapter 19 for defined terms.