

## SPEC BUY

Current Price \$0.016  
Target Price \$0.046

Ticker:	CTR		
Sector:	Energy		
Shares on Issue (m):	1,189.4		
- fully diluted (m):	1,189.4		
Market Cap (\$m):	19.0		
Market Cap Diluted (\$m)	19.0		
Net Cash (\$m)*:	3.0		
Enterprise Value (\$m):	16.0		
* estimate			
52 wk High/Low:	\$0.026	\$0.009	
12m Av Daily Vol (m):	5.41		

Valuation	Risked		Unrisked
	\$m	\$/s	\$/s
Atzam	71.9	0.060	0.18
Tortugas	8.0	0.007	0.03
Other	10.5	0.009	0.09
Cash	3.0	0.003	0.00
Debt	0.0	0.000	0.00
Corp Admin	-10.0	-0.008	-0.01
Options	0.0	0.000	0.00
<b>Total</b>	<b>83.4</b>	<b>0.070</b>	<b>0.29</b>

In A\$ unless otherwise stated

Share Price Graph



Wednesday, 8 January 2014

## Citation Resources Ltd

### Atzam #5 Commences

Analyst | Dave Wall

#### Quick Read

Citation has announced commencement of drilling at its Atzam #5 well in Guatemala. The well had been delayed due to heavy rain and is now expected to reach total depth in mid-February. Atzam #4 has been producing at ~120 barrels of oil per day since August with no water production and good well head pressure. This is positive, but below the expected rate of ~400 barrels of oil per day due to a conservative approach designed to ensure preservation of reservoir integrity. We remain confident that large upside (in excess of \$0.15/sh) is possible at the project and the catalysts we referred to in previous notes are still to come, namely: increased flow rates, activity at Tortugas, longer term sales contract and independent assessment of the resource potential at Atzam. Given the conservative approach by the Joint Venture and delays to schedule, we have adjusted our model, resulting in a reduction to our price target from \$0.06 to \$0.046. We retain our Speculative Buy recommendation.

#### Event & Impact | Positive

**Atzam Re-Cap:** Citation recently earned a 60% interest in the Atzam Oil Field, onshore in Guatemala, through its ownership in the local operating company, Latin American Resources (Latin). Citation earned its interest mainly via funding the Atzam #4 well, which successfully flowed oil in February 2013 of 600 barrels per day on test. Since August, the well has been producing at 120 barrels of oil per day on a restricted choke with good well head pressure. Deliverability is estimated to be as high as 1,000bopd; however, will be limited to an appropriate rate (350-400bopd) to avoid reservoir damage. The current 2P Reserve at Atzam has been independently estimated at 2.3mmbbl with upside potential as high as 20mmbbl.

**Catalysts Delayed not Vanished:** All of the catalysts highlighted in our initiation report are yet to come, including: increase in production from Atzam #4; spud of Atzam #5 (with strong newsflow as multiple target horizons are penetrated); longer term offtake contract secured; progress on access to Tortugas oil field and an updated Independent Resource Report. Given the likely increase in newsflow as activity ramps up in 2014, we are confident of increased speculative interest in the stock, with share price appreciation likely.

#### Recommendation

Technical risk associated with Atzam #5 is considered low and we expect that multiple oil bearing horizons will be intersected. These will be reported to market as they occur and should result in positive momentum for the stock. Operational risk is considered partly mitigated by lessons learned from past drilling; however, remains at a moderate level. Drilling of Atzam #5, combined with the other likely catalysts in the near term, should provide a speculative re-rating, with additional appreciation on any success. We rate Citation as a Speculative Buy with a \$0.046 price target (prev \$0.06).

**RESEARCH:**

**Ian Christie** | Director, Industrial Research  
+61 8 9224 6872 ichristie@argonaut.com

**Dave Wall** | Director, Energy Research  
+61 8 9224 6864 dwall@argonaut.com

**Patrick Chang** | Analyst, Metals & Mining Research  
+61 8 9224 6835 pchang@argonaut.com

**Emily Reilly** | Analyst, Industrial Research  
+61 8 9224 6809 ereilly@argonaut.com

**Matthew Keane** | Analyst, Metals & Mining Research  
+61 8 9224 6869 mkeane@argonaut.com

**INSTITUTIONAL SALES - PERTH:**

**Chris Wippl** | Executive Director, Head of Sales & Research  
+61 8 9224 6875 cwippl@argonaut.com

**John Santul** | Consultant, Sales & Research  
+61 8 9224 6859 jsantul@argonaut.com

**Troy Irvin** | Director, Institutional Research Sales  
+61 8 9224 6871 tirvin@argonaut.com

**Bryan Johnson** | Director, Institutional Research Sales  
+61 8 9224 6834 bjohnson@argonaut.com

**Damian Rooney** | Senior Institutional Dealer  
+61 8 9224 6862 drooney@argonaut.com

**Ben Willoughby** | Institutional Dealer  
+61 8 9224 6876 bwilloughby@argonaut.com

**Alex Wallis** | Institutional Dealer  
+61 8 9224 6805 awallis@argonaut.com

**INSTITUTIONAL SALES – HONG KONG:**

**Travis Smithson** | Managing Director - Asia  
+852 9832 0852 tsmithson@argonaut.com

**Glen Gordon** | Institutional Research Sales  
+852 3557 4874 ggordon@argonaut.com

**CORPORATE AND PRIVATE CLIENT SALES:**

**Glen Colgan** | Executive Director, Desk Manager  
+61 8 9224 6874 gcolgan@argonaut.com

**Kevin Johnson** | Executive Director, Corporate Stockbroking  
+61 8 9224 6880 kjohnson@argonaut.com

**James McGlew** | Executive Director, Corporate Stockbroking  
+61 8 9224 6866 jmcglew@argonaut.com

**Simon Lyons** | Director, Private Clients  
+61 8 9224 6881 slyons@argonaut.com

**Geoff Barnesby-Johnson** | Senior Dealer, Corporate Stockbroking  
+61 8 9224 6854 bj@argonaut.com

**Rob Healy** | Dealer, Private Clients  
+61 8 9224 6873

**Ben Rattigan** | Dealer, Private Clients  
+61 8 9224 6824 brattigan@argonaut.com

**Luke Levis** | Dealer, Private Clients  
+61 8 9224 6852 llevis@argonaut.com

**Cameron Prunster** | Associate Dealer, Private Clients  
+61 8 9224 6853 cprunster@argonaut.com

**James Massey** | Associate Dealer, Private Clients  
+61 8 9224 6849 jmassey@argonaut.com

**Mark Sandford** | Associate Dealer, Private Clients  
+61 8 9224 6868 msandford@argonaut.com

**Important Disclosure**

Argonaut assisted with placement in the Capital Raising in February & August 2013 and received fees commensurate with this service.

The analyst has a beneficial interest in the options of CTR.

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