

SPEC BUY

Current Price \$0.013
Target Price \$0.046

Ticker:	CTR	
Sector:	Energy	
Shares on Issue (m):	1,189.4	
- fully diluted (m):	1,189.4	
Market Cap (\$m):	14.3	
Market Cap Diluted (\$m)	14.3	
Net Cash (\$m)*:	3.0	
Enterprise Value (\$m):	11.3	
* estimate		
52 wk High/Low:	\$0.026	\$0.009
12m Av Daily Vol (m):	6.36	

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
Total	83.4	0.070	0.29

In A\$ unless otherwise stated

Share Price Graph



Friday, 28 March 2014

Citation Resources

Atzam #5 at First Targets – Getting Spicy

Analyst | Dave Wall

Quick Read

Citation has announced that its Atzam#5 well, onshore Guatemala, has been successfully cased above the first of multiple objectives. The well is an appraisal of a field that was successfully tested by the Atzam#4 well in 2013. Atzam#4 is currently producing 170 barrels of oil per day with no water cut and steady pressure (indicating greater deliverability is possible). The well is choked back until the Operator has a better handle on the impact of a higher production rate on the Estimated Ultimate Recovery (EUR). The Atzam field may contain as much as 20 million barrels of recoverable oil with additional upside possible from near field exploration (CTR 60%). Operations have been slower than expected; however, we are now at the pointy end of the process and, given the success at Atzam#4 and oil shows seen already in Atzam#5, we consider the chance of success as high. We rate CTR as a Spec Buy with a price target of \$0.046.

Event & Impact | Positive

Guatemala Re-Cap: Citation has a 60% interest in the Atzam Oil Field, onshore in Guatemala, through its ownership in the local operating company, Latin American Resources (Latin). The first well in the recent program, Atzam #4, flowed at >600bopd from a secondary target and has been flowing at a choked back rate of 170bopd. The current 2P Reserve related to only the Atzam#4 well has been independently estimated at 2.3mmbbl with upside potential for the field as high as 20mmbbl. Additional potential on the permit is also considered likely with Atzam look-a-likes as well as other play types in which oil production has been proven. Guatemalan fiscal terms are considered attractive with operating margins of ~50%.

Atzam#5 – Layer Upon Layer: One of the key positives about the Atzam field geology is that there are multiple prospective horizons starting at the C13 level (just below where casing has recently been set). During the drilling of Atzam#4, many interesting shows were seen but not tested as a standard drilling plan calls for drilling to Total Depth and then testing from the deepest horizon up. Atzam#4 had issues with the deepest horizons (C18/19 – the primary targets) but fell back to the C17 and achieved a highly successful outcome, albeit that the interesting shallow zones were not tested. A different approach is being used at Atzam#5 with production testing equipment so that testing can occur on the way down if anything interesting is seen. The primary targets remain in the deeper horizons; however, we are likely to get significant newsflow on oil shows as well as production testing from other horizons over the next few weeks.

Recommendation

The CTR share price has not behaved as predicted, given the near term potential uplift in value. We interpret this as being partly related to market conditions but also to delays in operations and unusual selling volumes. This inexplicable selling appears to have been exhausted so our prediction for speculative uplift may now be possible, especially given our expectation on newsflow from shows and flow tests. We rate CTR as a Speculative Buy with a price target of \$0.046.

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Important Disclosure

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

The analyst has a beneficial interest in CTRO options.

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