



(Subject to deed of company arrangement)

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21 August 2017

ASX Announcement  
Company Announcements Office  
Australian Securities Exchange  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

*Via E Lodgment*

## **COMPANY UPDATE**

### **Replacement Prospectus**

Citation Resources Limited (subject to Deed of Company Arrangement) ('the Company') (ASX: CTR) is pleased to announce that it is undertaking a Capital Raising via Public Offer of 25 million shares at an issue price of \$0.20 per share to raise \$5 million.

In addition to the purpose of raising funds under the Public Offer, the Prospectus is issued for the purposes of re-complying with the admission requirements under chapters 1 and 2 of the Listing Rules following a change in the nature and scale of the Company's activities.

The Offers are not underwritten.

**This is a Replacement Prospectus dated 21 August 2017 which replaces in its entirety the Original Prospectus dated 10 July 2017 in relation to the Offers.**

Further details are provided in the Prospectus, which is **attached**.

For and on behalf of the Board

**Citation Resources Limited (subject to Deed of Company Arrangement)**

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# Citation Resources Limited (subject to Deed of Company Arrangement)

ACN 118 710 508

*To be renamed Pearl Global Limited.*

## Replacement Prospectus

For the public offer of 25 million Shares at an issue price of \$0.20 per Share to raise \$5 million. The public offer also incorporates a priority offer to those persons who made an application to purchase shares under the Company's prospectus dated 23 October 2015, but who did not receive shares or a refund, up to the amounts returned to them pursuant to the DOCA and (as the case may be) the Landau Creditors' Trust or the Trust Creditors' Trust (**Public Offer**).

This Prospectus also contains separate offers to the Pearl Vendors (**Vendor Offer**) and other offers as detailed in the Prospectus (**Other Offers**). No funds will be raised from the Vendor Offer and a total of up to \$3,600 will be raised from the Other Offers. Please refer to Section 6 for further details. In addition to the purpose of raising funds under the Public Offer, this Prospectus is issued for the purposes of re-complying with the admission requirements under chapters 1 and 2 of the Listing Rules following a change in the nature and scale of the Company's activities.

**The Offers are subject to and conditional upon the satisfaction of the Offer Conditions. If the Offer Conditions are not satisfied, no Securities will be issued pursuant to this Prospectus and the Company will repay all money received from Applicants without interest.**

*The Deed Administrators of Citation Resources Limited (Subject to Deed of Company Arrangement) have delegated the authority to prepare and issue this Prospectus to Mr Victor Turco and Mr Bert Huys in their capacity as Directors. In this regard, this Prospectus has been prepared by the Directors and the Deed Administrators are not responsible for its contents. Accordingly, the Deed Administrators and their servants, agents and employees do not make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Prospectus and do not accept responsibility or liability for the accuracy of any information included, or any failure to include information in this Prospectus.*

The Offers are not underwritten.

**This is a Replacement Prospectus dated 21 August 2017 which replaces in its entirety the Original Prospectus dated 10 July 2017 in relation to the Offers.**

**Important information:** *This Prospectus provides important information to assist prospective investors to decide whether or not to invest in the Company. It should be read in its entirety. If you do not understand it, you should consult your professional advisers.* **THE SECURITIES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE.**

Lead Manager



Solicitors



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## 1 Corporate directory

### Directors

#### Mr Victor Turco

Non-Executive Director

#### Mr Bert Huys

Non-Executive Director

### Lead Manager

Cadmon Advisory Pty Ltd  
Level 31, 120 Collins Street  
MELBOURNE VIC 3000

Tel: +61 3 9225 5389

Email: [group@cadmon.com.au](mailto:group@cadmon.com.au)

Website: [www.cadmon.com.au](http://www.cadmon.com.au)

### Company Secretary

Phillip Macleod  
GAP CORPORATE SERVICES  
108 Forrest Street  
COTTESLOE WA 6011

Tel: 0416 220 565

Email: [pmacleod@gapcs.com.au](mailto:pmacleod@gapcs.com.au)

Website: [www.gapcs.com.au](http://www.gapcs.com.au)

### Investigating Accountant

Grant Thornton Corporate Finance Pty Ltd  
Level 17  
383 Kent Street  
Sydney NSW 2000

### Company's Registered Office

Citation Resources Limited (Subject to Deed  
of Company Arrangement)

Level 1, Wesley Central, 8 – 12 Market  
Street, Fremantle WA 6160

ASX Code: CTR

Tel: +61 8 9431 9888

Email: [turco@turco.com.au](mailto:turco@turco.com.au)

Website: [www.citationresources.com.au](http://www.citationresources.com.au)

### Share Registry\*

Computershare Investor Services Pty  
Limited  
GPO Box 52, Melbourne VIC 3001

Tel: +61 3 9415 4000

Web: [www.computershare.com/au](http://www.computershare.com/au)

### Solicitors

Lavan  
Level 20, The Quadrant  
1 William Street  
PERTH WA 6000

### Auditor\*

Grant Thornton Audit Pty Ltd  
Level 1, 10 Kings Park Road  
West Perth WA 6005

*\*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.*

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## 2 Important notices

On 23 February 2016, the securities of the Company were suspended from official quotation on the Official List of the ASX at the request of the Company.

On 20 September 2016, by resolution of the Directors pursuant to section 436A of the Corporations Act, Richard Tucker and Scott Langdon were appointed as administrators of the Company.

Pursuant to the resolution at the meeting of the Company's creditors on 9 February 2017 held under section 439A(1) of the Corporations Act, the Company and the Proponents executed the DOCA on 27 February 2017, and Richard Tucker and Scott Langdon became the several deed administrators of the DOCA.

The DOCA embodies the Recapitalisation Proposal, whereby the Company will, amongst other things, acquire all of the issued share capital of Pearl. The Company issues this Prospectus as part of the Recapitalisation Proposal.

The Public Offer is conditional on a series of Offer Conditions being met, including the Company receiving conditional approval to re-instate the Shares on the ASX.

This Replacement Prospectus (which is referred to in this document as either "this **Replacement Prospectus**" or "this **Prospectus**") replaces the Original Prospectus. This Replacement Prospectus has been issued to, amongst other matters:

- provide additional disclosure in relation to the Company's proposed use of funds in Section 6.3;
- provide additional disclosure in relation to Pearl's business in Section 7;
- simplify any replication or duplication between sections relating to the Investment Overview and the Company's background; and
- provide information on additional risks of an investment in the Company in Section 8.

This Prospectus is dated 21 August 2017. A copy of the Prospectus was lodged with ASIC on that date. ASIC takes no responsibility for the content of this Prospectus.

No Securities will be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

No document or information included on our website (other than the financial reports for the periods ended 30 June 2016 and 31 December 2016, as announced to the market on 4 May 2017) is incorporated by reference into this Prospectus.

### 2.1 Change in nature and scale of activities and Offer Conditions

Prior to the appointment of the administrators as referred to above, the Company focused on oil and gas exploration and investment. As announced to the ASX on 30 May 2017 the Company has entered into a share sale and purchase agreement (**Acquisition Agreement**) to acquire 100% of the issued capital of Pearl (**Acquisition**).

For further information on Pearl and the proposed Acquisition, refer to Sections 7 and 9.1.

Further the Company has entered into a preliminary funding agreement whereby it has agreed to provide financial accommodation to Pearl (**Pearl Loan Agreement**). For further information on the Pearl Loan Agreement, refer to Section 9.7.

The Acquisition and the financial accommodation pursuant to the Pearl Loan Agreement will result in a significant change to the nature and scale of the Company's activities, requiring Shareholder approval under chapter 11 of the Listing Rules.

At the Company's General Meeting held on 30 June 2017 Shareholder approval was obtained for, amongst other things, the issue of Securities pursuant to this Public Offer, the issue of Securities in consideration for the Acquisition, the change in nature and scale of the Company's activities and the change of the Company's name to "Pearl Global Limited" and other matters in connection with the Recapitalisation Proposal (see Section 4.3 for further details regarding the Recapitalisation Proposal).

The Offers made under this Prospectus and the issue of Securities pursuant to this Prospectus are subject to and conditional upon:

- 2.1.1 satisfaction of the outstanding conditions precedent under the Acquisition Agreement by no later than the date which is four months from the date of execution of the Acquisition Agreement (or such later date as may be agreed between the parties);
- 2.1.2 completion of the Acquisition (as further detailed in Section 9.1);
- 2.1.3 the Company raising \$5 million under the Public Offer; and
- 2.1.4 the Company receiving a letter from ASX confirming that ASX will reinstate its Shares to trading on ASX, subject only to the satisfaction of customary terms and conditions which are acceptable to the Company, acting reasonably,

(together, the **Offer Conditions**).

If any of the Offer Conditions are not satisfied, the Offers will not proceed, no Securities will be issued pursuant to the Offers and the Company will repay all money received from Applicants without interest.

The Company must comply with ASX requirements to be reinstated to Official Quotation on ASX, which includes re-complying with chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

## 2.2 Exposure Period

The Original Prospectus was circulated during the Exposure Period. The purpose of the Exposure Period was to enable the Original Prospectus to be examined by market participants prior to the raising of funds.

On 17 July 2017, ASIC extended the Exposure Period under section 727(3) of the Corporations Act in relation to the Original Prospectus to 24 July 2017. On 24 July 2017, ASIC issued an interim stop order to the Original Prospectus. On 9 August 2017, ASIC issued a further interim stop order to the Original Prospectus. This Replacement Prospectus is lodged in response to the issues raised by ASIC.

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In accordance with section 724(2)(a) of the Corporations Act, the Company will not process any Application which has been submitted pursuant to the Original Prospectus rather than this Replacement Prospectus, and it will repay application funds received in respect of those Applications. However, this will not prevent such applicants from completing a new Application Form attached to this Replacement Prospectus and submitting it to the Company in accordance with the instructions on the Application Form and this Replacement Prospectus.

A copy of this Replacement Prospectus will be provided to all Applicants who wish to subscribe for Securities under the Public Offer.

If you wish to apply for Securities and have not yet completed an Application Form, please complete and return an Application Form which is attached to this Replacement Prospectus. The Application Form must be received by 5:00pm WST on the Closing Date and must be completed in accordance with the instructions in this Replacement Prospectus and the Application Form.

Applications after the date of this Replacement Prospectus must not be made on the Application Form attached to or accompanying the Original Prospectus.

### **2.3 Electronic Prospectus**

This Prospectus will be issued in paper form and as an electronic Prospectus which may be accessed on the internet at [www.citationresources.com.au](http://www.citationresources.com.au). The Offers pursuant to the electronic Prospectus are only available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person passing the Application Form onto another person unless it is attached to, or accompanied by, the complete and unaltered version of the Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company at the address set out in the corporate directory in Section 1.

### **2.4 Foreign jurisdictions**

This Prospectus does not constitute an offer in any place in which, or to persons to whom, it would not be lawful to make an offer. Distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **2.5 Forward-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this

Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Except where required by law, the Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8.

## 2.6 Priority offers

The Directors will prioritise applications from persons who made an application to purchase Shares under the Company's prospectus dated 23 October 2015, but who did not receive Shares or a refund, up to the amounts returned to them pursuant to the DOCA and (as the case may be) the Landau Creditors' Trust or the Trust Creditors' Trust.

## 2.7 Deed Administrator

The Deed Administrators of Citation Resources Limited (Subject to Deed of Company Arrangement) have delegated the authority to prepare and issue this Prospectus to Mr Victor Turco and Mr Bert Huys in their capacity as Directors. In this regard, this Prospectus has been prepared by the Directors and the Deed Administrators are not responsible for its contents. Accordingly, the Deed Administrators and their servants, agents or employees do not make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Prospectus and do not accept responsibility or liability for the accuracy of any information included, or any failure to include information in this Prospectus.

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## 3 Investment overview

This Section is a summary only and not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

The Securities offered by this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Securities.

Topics	Summary
<b>Who is issuing this Prospectus?</b>	Citation Resources Limited (Subject to Deed of Company Arrangement) ACN 118 710 508 (to be renamed "Pearl Global Limited") ( <b>Company</b> ).
<b>Who is the Company and what does it do?</b>	The Company is a Perth based public company listed on the Official List (ASX Code: CTR), which prior to the appointment of administrators, was focused on oil and gas exploration and investment.  On 23 February 2016, the securities of the Company were

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Topics	Summary
	<p>suspended from official quotation on the Official List of the ASX at the request of the Company.</p> <p>On 20 September 2016, by resolution of the Directors pursuant to section 436A of the Corporations Act, Richard Tucker and Scott Langdon were appointed as administrators of the Company.</p> <p>Pursuant to the resolution at the meeting of the Company's creditors on 9 February 2017 held under section 439A(1) of the Corporations Act, the Company and the Proponents executed the DOCA on 27 February 2017, and Richard Tucker and Scott Langdon became the several deed administrators of the DOCA.</p> <p>The Company currently has only two subsidiaries, being Citation Aus and Citation Operations. Neither of these subsidiaries (nor the Company as a whole) currently has income earning capacity.</p>
<p><b>What is the Company's strategy?</b></p>	<p>As announced to the ASX on 30 May 2017, the Company has entered into an agreement to acquire 100% of the issued capital of Pearl pursuant to the Acquisition Agreement.</p> <p>Following reinstatement to Official Quotation, the Company's primary focus will be to develop and market Pearl's business in line with Pearl's business model. The Company may also undertake further acquisitions or develop new processes that complement Pearl's business.</p>
<p><b>What are the Offers under this Prospectus?</b></p>	<p>By this Prospectus, the Company is undertaking the following conditional Offers:</p> <ul style="list-style-type: none"> <li> <p><b>Public Offer (incorporating the Priority Offer):</b> an offer inviting the general public to apply for 25 million Shares (on a post-Consolidation basis) at an issue price of \$0.20 each to raise \$5 million.</p> <p>The Public Offer also incorporates a priority offer to those persons who made an application to purchase shares under the Company's prospectus dated 23 October 2015, but who did not receive shares or a refund, up to the amounts returned to them pursuant to the DOCA and (as the case may be) the Landau Creditors' Trust or the Trust Creditors' Trust. The number of Shares available under the Public Offer remaining following satisfaction of applications under the Priority Offer will be allocated to the applicants generally under the Public Offer, at the Company's discretion. The Shares issued under the Priority Offer form part of the Public Offer and the total number of Shares issued under the Public Offer and Priority Offer together will not exceed the Maximum</p> </li> </ul>

Topics	Summary
	<p>Subscription of 25,000,000 Shares (on a post-Consolidation basis).</p> <ul style="list-style-type: none"> <li>• <b>Vendor Offer:</b> an offer to the Pearl Vendors of 80 million Shares (on a post-Consolidation basis) in consideration for the acquisition of Pearl. No funds will be raised under the Vendor Offer.</li> <li>• <b>Other Offers:</b> the other offers detailed in Section 6.1. Up to \$3,600 will be raised under the Other Offers.</li> </ul> <p>Refer to Section 6 for more information.</p>
<p><b>What are the conditions of the Offers?</b></p>	<p>The Offers are conditional upon the following events occurring:</p> <ul style="list-style-type: none"> <li>• satisfaction of the outstanding conditions precedent under the Acquisition Agreement (as further detailed in Section 9.1) and completion of the Acquisition; and</li> <li>• the Company receiving a letter from ASX confirming that ASX will reinstate its Shares to trading on ASX, subject only to the satisfaction of customary terms and conditions which are acceptable to the Company, acting reasonably.</li> </ul> <p>If any of the Offer Conditions are not satisfied, the Company will not proceed with the Acquisition or the Offers and the Company will repay all application monies received, without interest.</p> <p>Refer to Sections 2.1 and 6 for more information.</p>
<p><b>Why are the Offers being conducted?</b></p> <p><b>What is the proposed use of funds raised under the Public Offer?</b></p>	<p>The Offers are being conducted to:</p> <ul style="list-style-type: none"> <li>• meet the requirement that the Company re-complies with the ASX's admission requirements in accordance with chapters 1 and 2 of the Listing Rules;</li> <li>• provide Pearl with access to equity capital markets for future funding needs; and</li> <li>• provide administration funding and working capital.</li> </ul> <p>The Company is required to re-comply with chapters 1 and 2 of the Listing Rules to give effect to a change in the nature and scale of the Company's activities as a result of the Acquisition.</p> <p>Refer to Sections 6.1 and 6.3 for more information.</p>
<p><b>Proposed Acquisition of Pearl</b></p>	
<p><b>What are the material terms of the Acquisition?</b></p>	<p>The proposed Acquisition involves the Company acquiring 100% of the issued capital of Pearl in return for the issue of the Consideration Shares to the Pearl Vendors (or their</p>

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Topics	Summary
	<p>respective nominees).</p> <p>The Acquisition is conditional upon a number of conditions, with the following key conditions outstanding at the date of this Prospectus:</p> <ul style="list-style-type: none"> <li>• the Company undertaking the Capital Raising;</li> <li>• the Company obtaining applicable third party consents or approvals; and</li> <li>• the Company receiving a letter from ASX confirming that ASX will reinstate its Shares to trading on ASX, subject only to the satisfaction of customary terms and conditions which are acceptable to the Company, acting reasonably.</li> </ul> <p>These conditions must be satisfied or waived in accordance with the Acquisition Agreement by no later than the date which is four months from the date of execution of the Acquisition Agreement (or such later date as may be agreed between the parties).</p> <p>Refer to Sections 2.1 and 9.1 for more information.</p>
<p><b>What approvals were obtained at the General Meeting?</b></p>	<p>At the General Meeting held on 30 June 2017 Shareholder approval was obtained on the specific resolutions relating to the Recapitalisation Proposal (in addition to other approvals which do not relate to the Recapitalisation Proposal).</p>
<p><b>Who is Pearl and what is its business model?</b></p>	<p>Pearl is a private unlisted Australian company which holds the exclusive worldwide licensing rights to a tyre recovery process for the reclamation of shredded waste rubber back into its constituent parts by virtue of a heating system which manages certain key elements within the thermal desorption process in an environmentally safe manner (the <b>Project</b>).</p> <p>Pearl is not yet in commercial production. For the Project to reach its operational phase, the necessary environmental and planning approvals for Pearl's Queensland site must be in place. Further, ongoing operations on a sustainable basis are subject to Pearl:</p> <ol style="list-style-type: none"> <li>a) finalising and executing appropriate offtake and supply agreements; and</li> <li>b) commencing and ramping up production, whilst monitoring the emissions profiles, of the two TDUs currently located at Pearl's Queensland site.</li> </ol> <p>There can be no certainty that Pearl will successfully achieve these milestones, and therefore no guarantee that Pearl will be able to achieve sustainable operations within any particular timeframe, or at all.</p> <p>Refer to Section 7 for more information on Pearl.</p>

Topics	Summary
<b>Key risks</b>	
<p>The Company's business, assets and operations are subject to certain risk factors that have the potential to influence the Company's future operating and financial performance. These risks can impact on the value of an investment in Securities.</p> <p>The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.</p> <p>Set out below is a summary of specific risks that the Company and Pearl are exposed to and that may have a direct impact on the Company and its activities or assets. Further details of these and other risks associated with an investment in the Company are outlined in Section 8.</p>	
<b>Cash flow history</b>	<p>To date, due to the high level of capital investment required to acquire new plant and equipment and the significant research and development undertaken, Pearl's operations have been dependent on equity investment and tax incentive rebates from the federal government which incorporates rebates in relation to research and innovation. No material product sales volumes have been achieved as yet and will not be achieved unless Pearl is capable of moving into its operational phase as specified above. There can be no certainty that Pearl will achieve sustainable operations within any particular timeframe, or at all.</p>
<b>Market Risk</b>	<p>Historically, the tyre recycling industry on a global scale, has owed its existence more to environmental and regulatory reasons than economic ones. In Australia, there are continuing regulatory developments that the industry is required to adhere to, such as the Australian federal government stewardship program for used tyre management called Tyre Stewardship Australia (<b>TSA</b>). TSA is an accreditation scheme that includes over 1,200 tyre retailers throughout the country and is designed to monitor and report disposals, collections and recycling volumes of end-of-life tyres. Further, Australia is a signatory to the Basel convention requiring participation in the monitoring and reporting of waste disposal that is exported to overseas jurisdictions.</p> <p>The Hyder Report estimates that in the last 6 years to the date of the Hyder Report, tyre usage in Australia increased by over 10%, to 56 million tyres per annum. Therefore there has been an increase in used tyres as a waste stream. Pearl is seeking to address this market by utilising the used tyre market to convert shredded used tyres into secondary products for sale. Pearl will rely on current tyre collection companies to provide suitable shredded feedstock for its operations. There are no current existing feedstock</p>

Topics	Summary
	agreements in place so there is a risk that supply will not be consistently secured.
<b>Licensing risk</b>	<p>Pearl has a licence granted to it by Keshi to use and exploit the Intellectual Property. It does not own the Intellectual Property. Until such time as Pearl successfully exercises the option to purchase all of the issued share capital in Keshi under the Call Option Deed, Pearl will have no ownership rights in respect of the Intellectual Property, rather Pearl will (subject to the terms of the Licence Agreement) have the exclusive worldwide rights to use and exploit the Intellectual Property on the terms of the Licence Agreement.</p> <p>In order for Pearl to be able to achieve its objectives in respect of the Licence Agreement, it will be reliant on Keshi complying with its contractual obligations under the Licence Agreement. Any non-compliance with the Licence Agreement or termination of the Licence Agreement or the Call Option Deed could have an adverse impact on the financial position of Pearl (and thereby the Company).</p> <p>Where Keshi fails to comply with the Licence Agreement, or the Keshi shareholders fail to comply with the Call Option Deed, Pearl may then need to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.</p> <p>Keshi has rights to terminate the Licence Agreement in certain circumstances, namely if Pearl breaches the Licence Agreement (including failing to pay amounts due under the Licence Agreement) or suffers an insolvency event. If the Licence Agreement is terminated, this will have a material adverse effect on Pearl's and the Company's operations.</p> <p>Keshi is not a related party of Citation for the purposes of Chapter 2E of the Corporations Act. It is noted however that:</p> <ol style="list-style-type: none"> <li>a) Gary Foster is a proposed director of the Company and is a current director of both Pearl and Keshi. His associate, Bretnall Custodians Pty Limited (ACN 091 315 516) as trustee for the Foster Family Trust and holds 27.47% of the total issued share capital in Keshi.</li> <li>b) Andrew Drennan is a proposed director of the Company and is a current director of both Pearl and Keshi. Andrew Michael Drennan as trustee for the Drennan Family Trust and holds 20.05% of the total issued share capital in Keshi.</li> <li>c) Victor Turco is a current director of the Company. A</li> </ol>

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Topics	Summary
	trust controlled by his wife (Greenlink Pty Ltd (ACN 604 799 439) as trustee for the Debsago Trust) holds 0.5% of the total issued share capital in Keshi.
<b>Intellectual Property</b>	There is no formal patent protection in respect of the Intellectual Property. Patent applications have been filed by Keshi, however, there is no guarantee those applications will be granted. There is a risk that products which compete with the Intellectual Property or provide functionality that is similar to this Intellectual Property could be developed before Pearl or Keshi is able to secure patent protection for its technology, which could materially affect Pearl's growth and revenue prospects. There is also the risk that a patent application in relation to the Intellectual Property may not be successful, in which case Pearl will need to take greater measures to protect its business from competitors in the market offering similar or competing products and to ensure Pearl does not infringe the registered intellectual property rights of any other person.
<b>Limited operating track record</b>	<p>The Project technology is in its development phase and involves novel technology. It has not been tested over an extended continuous period of time. Consequently, the potential operational lifespan of a Project plant is unclear.</p> <p>Until Pearl is able to realise value from the Intellectual Property licensed to it under the Licence Agreement, it is likely to incur ongoing operating losses. Achievement of Pearl's objectives will depend on Pearl's ability to transition the Project to its operational phase and to successfully implement its growth strategy. The Acquisition must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their development stage.</p>
<b>Change to largest Shareholders</b>	Following the issue of the Consideration Shares to the Pearl Vendors and completion of the Public Offer, Bretnall Custodians Pty Ltd as trustee for the Foster Family Trust (an entity controlled by proposed Director, Gary Foster) and proposed Director Andrew Michael Drennan as trustee for the Drennan Family Trust will become the largest Shareholders in the Company, holding approximately 14.2% (Bretnall) and 10.4% (Drennan) of the Company's issued Shares respectively (assuming maximum subscription and assuming none of the current options on issue and New Options to be issued at as part of the Recapitalisation Proposal convert into Shares at completion of the Acquisition). In this scenario, these Pearl Vendors may have the ability to significantly influence or control the Company. There is a risk that

Topics	Summary
	Shareholders' interests will be further diluted by future capital raisings.
<b>Key management risks</b>	Pearl's performance is dependent on the ability of its senior executives and other key personnel to manage and grow its business and respond to customers' needs. Continuity and retention of senior executives and other key personnel are important for customer retention and ongoing customer negotiations, and for the ongoing implementation of the business transformation and growth initiatives. The loss of senior executives or other key personnel, or an inability to attract and retain qualified and competent senior executives or other key personnel, could have a material adverse effect on Pearl's operating and financial performance.
<b>Non-compliance and environmental risks</b>	<p>Pearl is required to have in place environmental approvals and development approvals for each specific site in each state of Australia in which its plants are to operate. The specific timeframes and requirements for each state in regards to granting the necessary licences are uncertain given the Project technology and process is novel. It is also expected that Pearl will be required to monitor its operations on an ongoing basis to ensure compliance with the relevant conditions of the regulatory approvals. There is a risk that Pearl will not obtain the requisite regulatory approvals or, if these approvals are obtained, be able to satisfy the on-going compliance requirements of those approvals. Further, any incidences of non-compliance with environmental regulation may have consequences for Pearl's business.</p> <p>Pearl is required to run its operations in compliance with legislation concerning the protection of the environment, including relating to the use of natural resources (e.g. water), emissions and waste water, and the generation, storage, handling, transportation, treatment and disposal of waste materials.</p> <p>Pearl's business may be impacted by any non-compliance about actual or alleged violations arising under any environmental laws, including fines, damages and criminal or civil sanctions, or interruptions to operations.</p>
<b>Plant operations and process risk</b>	Pearl solely relies on new innovation and technology processes for its business. There is no guarantee that the plant operations and the processes required to produce secondary products for sale will be successful. It is possible that there is a failure of key systems which may lead to a disruption to production, a disturbance to customer agreements and services, loss of information and/or lower financial performance. Pearl relies on a variety of electrical

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Topics	Summary
	<p>and engineering systems in order to manage and deliver products and services which may not be reliable. There is also a risk that if key personnel who manage these operations were to leave the business that valuable knowledge would be lost which in turn may have an adverse effect on Pearl's business and financial performance.</p>
<b>Regulatory Risks</b>	<p>The used tyre industry in Australia has a regulatory framework and there is no guarantee that in future regulations will remain consistent with those currently in place. There is a risk that Pearl may not be able to meet all regulatory requirements going forward.</p>
<b>Competitor risks</b>	<p>Pearl's ability to secure offtake contracts for product sales and supply contracts for shredded feedstock is fundamental to its business. New contracts entered are typically subject to a competitive process. There is a risk that Pearl may not be successful or that it may not achieve sustainable ongoing operations for any of several reasons. These include lower pricing from competitors, increased competition (including in sectors where there are low barriers to entry), Pearl's inability to differentiate its services and to market them effectively and failure to maintain the quality or efficiency of its service offerings or to anticipate, identify or react to changes in customer preferences or requirements.</p> <p>Pearl is aware of other potential competitors in the Australian and overseas tyre recycling industry, however from Pearl's research no known competitor operates a technology that focuses on a decentralisation model by the use of small TDUs and associated operating equipment that carries a relatively small emissions footprint. The Pearl model involves a relatively low cost fabrication design and has the potential to be located at or close to sources of shredded waste tyre feedstock as opposed to a centralised model where large scale plants requiring large volumes of waste tyre feedstock require those waste tyres to be transported to the processing plant. Typically, due to the relatively larger emissions footprint which may be associated with the larger centralised plants, such plants may not be able to be located in areas closer to sources of feedstock.</p> <p>There is significant competition in the recycling technology industry generally. There is no assurance that the Company (via Pearl) will succeed in an effective or economic strategy of developing the Project pursuant to the Intellectual Property licensed to it under the Licence Agreement. Competitors' products and services may render the Project obsolete and/or otherwise uncompetitive. There is also no guarantee that the Project will produce products which have the requisite</p>

Topics	Summary
	demand at a commercial scale. The Company (via Pearl) may be unable to compete successfully against competitors where aggressive policies are employed to capture market share. If the Company (via Pearl) is successful in developing the Project (which may never occur) such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect Pearl's and the Company's potential future business, operating results and financial position.
<b>Financial risks</b>	The Company's capital requirements are influenced by numerous factors. The Company may require financing in addition to the amount raised under the Public Offer. Any additional equity financing may dilute shareholdings and debt financing, if available, may place restrictions on operating and financing activities. If the Company cannot acquire additional financing then it may be forced to alter its plan of operations.
<b>Volatility in the market price of Shares</b>	Although the Company is listed on the Official List, there is no assurance that an active trading market for its Shares will be sustained. There is also no assurance that the market price for the Shares will not decline below the price at which they were subscribed for.
<b>Reduced likelihood of a takeover offer</b>	If the Acquisition proceeds, the Company's issued Shares will be held by a small number of large Shareholders (as noted above). This may discourage a potential bidder from making a takeover bid in the future as those Shareholders will have significant control over the Company.
<b>Liquidity</b>	<p>Certain Securities on issue prior to the close of the Offers (or to be issued in connection with the Acquisition) may be classified by ASX as restricted securities and will be required to be escrowed for up to 24 months from the date of Official Quotation. During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on a Shareholder's ability to dispose of his or her Shares in a timely manner.</p> <p>An estimate of the Securities that will be subject to escrow is set out in Section 6.9.</p>
<b>Compliance with chapters 1 and 2 of the Listing Rules</b>	<p>The Company's Shares have been suspended from trading since 23 February 2016 and it is anticipated that they will remain suspended until completion of the Acquisition and the Offers, re-compliance with chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.</p> <p>There is a risk that the Company may not be able to meet the</p>

Topics	Summary
	requirements for re-instatement to trading on ASX. In the event the Offer Conditions are not satisfied, the Company will not proceed with the Acquisition or the Offers and it is likely the Company will be de-listed from ASX.
<b>Information about the Offers</b>	
<b>What rights and liabilities attach to the Securities being offered?</b>	<p>Pursuant to the Public Offer (incorporating the Priority Offer), the Company offers fully paid ordinary shares in the capital of the Company ranking equally with all existing shares on issue.</p> <p>Pursuant to the Vendor Offer, the Company offers the Consideration Shares to the Vendor.</p> <p>Pursuant to the Other Offers, the Company offers New Options and fully paid ordinary shares in the capital of the Company.</p> <p>Refer to Section 12.3 for more information.</p>
<b>Is the Public Offer (including the Priority Offer) underwritten?</b>	No, the Public Offer incorporating the Priority Offer is <b>not</b> underwritten.
<b>Who is the Lead Manager?</b>	<p>The Company has appointed Cadmon (as Lead Manager to the Public Offer (incorporating the Priority Offer).</p> <p>Under the terms of the Lead Manager Mandate with the Company, Cadmon is entitled to receive:</p> <ul style="list-style-type: none"> <li>• a monthly retainer of \$7,000 plus GST (which is currently being paid by Pearl, and will on completion of the Public Offer (incorporating the Priority Offer) be paid by the Company) (the Lead Manager Mandate continues for a period of 12 months unless it is terminated earlier);</li> <li>• 6.00% (plus GST) of the Gross Proceeds (being the amount equal to the total number of securities in the Company issued and/or sold in connection with the Public Offer (incorporating the Priority Offer) multiplied by \$0.20) (equating to \$300,000).</li> </ul> <p>In addition, Cadmon and/or its nominees are entitled to subscribe for 36 million New Options at a price of \$0.0001 per New Option. These New Options will be exercisable at \$0.30 each on or before the date falling 36 months after their issue date upon successful completion of the Public Offer and the Priority Offer. Refer to Sections 9.3 and 12.3(b) for more information.</p>
<b>When will the</b>	An application was made to the ASX within seven days after

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Topics	Summary
<b>Shares be listed?</b>	<p>the date of the Original Prospectus for Official Quotation of the Shares and New Options the subject of the Offers.</p> <p>Refer to Section 6.6 for more information.</p>
<b>What are the tax implications of investing in Securities under the Offers?</b>	<p>The acquisition and disposal of Securities may have tax consequences, which will differ depending on the individual financial affairs of each investor. Potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.</p> <p>To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.</p>
<b>How do I apply for Shares under the Public Offer?</b>	<p>Applications for Shares under the Public Offer (except in relation to the Priority Offer) must be:</p> <ul style="list-style-type: none"> <li>• made by completing the Public Offer Application Form accompanying this Prospectus and received on or before the Closing Date and must be accompanied by payment in Australian dollars for the full amount of the application being \$0.20 per Share; and</li> <li>• for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 2,500 Shares (\$500)</li> </ul> <p>Applications for Shares under the Priority Offer must be:</p> <ul style="list-style-type: none"> <li>• made by completing the Priority Application Form (which will be provided by the Company to applicants entitled to apply for Shares under the Priority Offer) and received on or before the Closing Date and must be accompanied by payment in Australian dollars for the full amount of the application being \$0.20 per Share.</li> <li>• for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 2,500 Shares (\$500).</li> </ul> <p>Cheques must be made payable to "Citation Resources Limited (subject to Deed of Company Arrangement)" and should be crossed "Not Negotiable".</p> <p>Refer to Section 6.5 for more information.</p>
<b>When will I receive confirmation that my application for Shares under the Public Offer has</b>	<p>It is expected that holding statements will be sent to successful Applicants by post on or about 26 September 2017.</p> <p>Refer to Section 6.7 for more information.</p>

Topics	Summary
been successful?	
How can I find out more about the Prospectus?	<p>Questions relating to the Offers can be directed to the Company on +61 8 9431 9888.</p> <p>Refer to Section 1 for more information.</p>
<b>Board and Management</b>	
Who are the Directors of the Company?	<p>The Company's Directors are:</p> <ul style="list-style-type: none"> <li>• Victor Turco, Non-Executive Director</li> <li>• Bert Huys, Non-Executive Director</li> </ul> <p>See Section 11.1 for full details of the Directors' experience and expertise.</p>
Who are Pearl's directors and key managers?	<p>Pearl's directors and key managers are:</p> <ul style="list-style-type: none"> <li>• Gary Foster</li> <li>• Andrew Drennan</li> <li>• Philip Erasmus</li> </ul> <p>Refer to Section 11.1 for more information.</p> <p>It is proposed that Gary Foster and Andrew Drennan be appointed as the directors of the Company following completion of the Acquisition.</p>
What are the Directors' significant interests?	<p>The interests of the Directors are detailed in Section 11.2.</p>
Are there any related party transactions?	<p>Yes. The related party agreements include Executive Service Agreements in relation to proposed directors Gary Foster and Andrew Drennan.</p> <p>Details of the two Executive Service Agreements are contained in Section 9.8.</p> <p>Under these agreements, each of Gary Foster and Andrew Drennan is entitled to:</p> <ul style="list-style-type: none"> <li>• a sign on fee of \$150,000,</li> <li>• a further payment of \$150,000 on the first anniversary of the commencement date (which payment may either be made in cash or in shares in the Company at the last capital raising price),</li> <li>• an annual salary of \$300,000 inclusive of superannuation.</li> </ul> <p>Additionally, subject to meeting the relevant KPIs as</p>

Topics	Summary
	<p>determined under each agreement, each of Gary Foster and Andrew Drennan is entitled to:</p> <ul style="list-style-type: none"> <li>• a short term incentive payment of \$300,000 on the first anniversary of the commencement date;</li> <li>• a medium term incentive payment of \$450,000 on the third anniversary of the commencement date, and</li> <li>• a long term incentive payment of 1 cent per kilogram of feedstock processed from a TDU from the 12 month anniversary of successful operations as determined by the Board.</li> </ul> <p>Full details of the KPIs relating to such payments are contained in Section 9.8.</p> <p>Refer to Section 11.3 for more information in respect of the related party transactions.</p>
<b>Other disclosures</b>	
<p><b>What are the Company's and Pearl's material contracts?</b></p>	<p>In addition to those contracts with related parties outlined above, the Company's and Pearl's material contracts comprise:</p> <ul style="list-style-type: none"> <li>• Acquisition Agreement for the Acquisition between the Company and the Pearl Vendors</li> <li>• Pearl Loan Agreement</li> <li>• Lead Manager Mandate</li> <li>• Cadmon Mandate (Pearl) (being the mandate between Cadmon and Pearl)</li> <li>• Executive Services Agreements</li> <li>• Licence Agreement and Call Option Deed</li> <li>• DOCA</li> <li>• Certain leases</li> </ul> <p>Refer to Section 9 for more information.</p>
<p><b>Will the Company make any financial forecasts?</b></p>	<p>No. Given the nature of Pearl's business and the fact the Project is in the development stage, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. In light of uncertainty as to timing and outcome of the Company's growth strategies and the general nature of the industry in which the Company will operate, as well as uncertain macro market and economic conditions in the Company's markets, the Company's performance in any future period cannot be reliably estimated. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and</p>

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Topics	Summary
	accordingly have not included financial forecasts in this Prospectus.
<b>Will the Securities be subject to escrow?</b>	<p>None of the Shares issued pursuant to the Public Offer are expected to be restricted securities.</p> <p>It is estimated that:</p> <ul style="list-style-type: none"> <li>• 22.95% of the Consideration Shares being those Shares to be issued to Bretnall Custodians Pty Ltd as trustee for the Foster Family Trust (an associate of Gary Foster, a proposed Director), a Pearl Vendor will be escrowed for a period of 24 months from the date of Official Quotation;</li> <li>• 16.75% of the Consideration Shares being those Shares to be issued to Andrew Michael Drennan as trustee for the Drennan Family Trust, a Pearl Vendor will be escrowed for a period of 24 months from the date of Official Quotation;</li> <li>• the remaining Consideration Shares will be escrowed for a period of 12 months from the date of Official Quotation;</li> <li>• 100% of the New Options to be issued to Cadmon or its nominees in connection with the Lead Manager Mandate (being 36 million New Options in total) will be escrowed for a period of 24 months from the date of Official Quotation.</li> </ul> <p>Refer to Section 6.9 for more information.</p>
<b>What is the Company's financial position?</b>	<p>The Company is currently listed on ASX and its financial history, including the full year financial report for the financial year ended 30 June 2016 and the half year financial report for the half year ended 31 December 2016 is available on its website, <a href="http://www.citationresources.com.au">www.citationresources.com.au</a>.</p> <p>Further financial information regarding the Company and Pearl is considered in Section 10 of this Prospectus.</p>

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## 4 Company overview and Recapitalisation Proposal

### 4.1 The Company

The Company is a Perth based public company. As detailed in Section 2 it is currently suspended from the Official List of the ASX and is subject to a DOCA.

In July 2012, the Company acquired Citation Aus and (indirectly) that company's right to acquire a 60% interest in Latin American Resources Ltd (**LAR**), which owns the Atzam and Tortugas Oil projects in Guatemala. From Citation Aus's 60% ownership of LAR, Citation Aus received revenue from the sale of oil produced by one of the Atzam projects. Another Atzam appraisal well testing program was suspended due to failure to secure a new financing farm in partner to fund the projects. In late 2015, Citation Aus reached an in-principle agreement with LAR to have their interest reduced to a 10% finance carried equity interest, together with an option to acquire an additional 5% interest by paying US\$1 million to LAR within 12 months from completion of the agreement. The agreement stipulated that if Citation Aus chose not to exercise its option within that 12 month period, Citation Aus would forfeit its carried 10% interest in LAR. Citation Aus relinquished its rights to the 10% LAR holding as at 1 October 2016.

During the financial year ended 30 June 2015, the Company entered into an agreement to acquire an interest in two Texas oil projects via the acquisition of Range Australia Resources (US) Limited (**RAR**). The shares in RAR were held in trust by a lender, pending the repayment of a short term loan. The option period for the Company to repurchase the shares expired in January 2016 and thus the Company has no further interest in these oil projects nor any ownership of RAR.

During the financial year ended 30 June 2016, the Company acquired a 40% holding in Pearl for \$3,000,000. This shareholding was to be the first stage of a transaction to acquire the entire issued share capital of Pearl. However, the subsequent stage of that transaction was never completed. In January 2017, as part of a settlement between Pearl and the Company, the Company's 40% holding in Pearl was transferred back to the Pearl Vendors in consideration of a \$3.3 million cash payment.

As a result of the above, the Company currently has only two subsidiaries, being Citation Aus and Citation Operations. Neither of these subsidiaries (nor the Company as a whole) currently has income earning capacity.

Further details on the Company's existing assets can be found within the Company's Quarterly Activity Reports and its 2016 Annual Report, each of which are located on the Company's website and the ASX announcements web page.

### 4.2 Previous board issues

On 23 October 2015 Citation issued a prospectus (**2015 Prospectus**) offering to issue 123,360,894 fully paid ordinary shares to existing shareholders of Citation and, to the extent to which those shares were not taken up, an offer of the balance to the public, to raise in total up to \$6,168,045. The closing date of the offers under the 2015 Prospectus was 6 November 2015. The public offer under the 2015 Prospectus closed fully subscribed. Additionally, Citation raised funds in June 2015 by way of share

placement. At the time of the 2015 Prospectus the following individuals were officeholders of Citation:

- (a) Brett Mitchell (Non-Executive Director);
- (b) Peter Landau (Non-Executive Director) (Landau); and
- (c) Anthony Eastman (Non-Executive Director and Secretary),

**(Previous Officeholders).**

On or around 3 February 2016, Citation's Board (which was relevantly comprised of Messrs Turco, Huys and Eastman) became aware of accounting irregularities in relation to certain monies, including funds subscribed pursuant to the 2015 Prospectus. Citation's Board engaged KordaMentha Forensic to investigate and produce an Independent Forensic Report (**Forensic Report**). On 19 February 2016 Citation requested an ASX trading halt pending the release of an announcement by the Company. On 23 February 2016 Citation requested a suspension from ASX official quotation pending the release of an announcement by the Company.

On 18 May 2016, Citation released an ASX announcement titled 'Administrative Issues' containing, amongst other things, the following information:

- (a) Citation had become aware of "issues regarding accounting for certain monies, including funds subscribed pursuant to its October 2015 Prospectus".
- (b) Citation engaged forensic advisors in relation to the matter and had received an independent forensic report concerning the integrity of transactions involving approximately \$2 million.
- (c) Citation had initiated legal proceedings (WAD 163 of 2016 in the Federal Court of Australia) with respect to the recovery of funds against former director of the Company, Mr Peter Landau.
- (d) Citation was reviewing all available options to recover the funds.
- (e) Citation advised that no staff or management of Citation associated with Mr Landau and certain other entities connected with Mr Landau currently held management or administration roles in Citation.

Since the above events:

- (f) Mr Landau resigned as a director of Citation on 19 January 2016;
- (g) Mr Anthony Eastman resigned as a director and company secretary of Citation on 17 May 2016; and
- (h) Mr Brett Mitchell resigned as a Director of Citation on 1 December 2015.

The current directors of Citation are:

- (i) Vitorio Vincenzo Turco who was appointed on 1 December 2015; and
- (j) Bert Huys who was appointed on 19 January 2016.

Further, the Company has entered into a DOCA, the terms of which are summarised in Section 9.5. The DOCA, amongst other things, seeks to deal with the claims of the Landau Creditors in respect of the conduct specified in this section.

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As a result of the conduct of the Company's previous officeholders, as specified in this Section 4.2, the Company may potentially be in breach of certain sections of the Corporations Act. In particular, the Company may potentially be in breach of the continuous disclosure requirements pursuant to section 674 of the Corporations Act in relation to Peter Landau's conduct, on the basis that Peter Landau's conduct may have been market sensitive information that ought to have been disclosed in a timely manner by the Company pursuant to section 674 of the Corporations Act.

As at the date of the Original Prospectus, the Company understood that the ASX was likely, as a condition to the Company's reinstatement to quotation, to require that a "no action letter" had been given by ASIC in respect of liability which the Company may have as a result of the conduct of its previous officeholders as specified in this Section 4.2. Accordingly, the Company made an application to ASIC to grant the Company with such a "no action letter" on 26 June 2017. The Company now understands that the ASX's position is that a "no action letter" would not be required as a condition to the Company's reinstatement to quotation and, consequently, the request for a "no action letter" was withdrawn on 3 August 2017.

### 4.3 Recapitalisation Proposal

The material terms of the Recapitalisation Proposal are set out in the DOCA, and comprise:

- (a) **Consolidation.** The consolidation of the existing issued capital of the Company on a 7 for 199 basis. This took effect on 12 July 2017.
- (b) **Discharge of secured creditors.** Any party with a valid security in respect of the Company registered on the PPSR discharging that security interest. The last of the valid security interests registered against the Company was released on 13 March 2017.
- (c) **Bonus Issue.** A bonus issue to Shareholders of New Options, on the basis of one New Option for every three Shares held (on a post-Consolidation basis). The record date for the Bonus Issue is dependent on the date of closing of the Capital Raising and satisfaction of the conditions to the Capital Raising, but will be prior to the issue of the Consideration Shares, the Shares under the Capital Raising and the other issues of Shares contemplated by the Resolutions. The record date for the Bonus Issue will be announced in due course.
- (d) **Pearl Acquisition.** The acquisition of the entire issued share capital of Pearl in consideration for the issue to the Pearl Vendors of 80,000,000 new Shares (on a post-Consolidation basis). Further information in respect of Pearl and the Pearl Acquisition is set out in Sections 7 and 9.1.
- (e) **Licence Agreement.** The entry into of the Licence Agreement in respect of the Intellectual Property which underpins Pearl's business, as referred to in Section 9.2. The Licence Agreement was entered into on 23 June 2017.
- (f) **Capital Raising.** The issue by the Company of 25,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.20 per Share under the Prospectus to raise \$5,000,000.

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- (g) **Conversion of Pearl Convertible Notes.** The issue by the Company of 18,718,750 Shares and 6,239,567 New Options (each on a post-Consolidation basis) to the Pearl Noteholders, on conversion of the Pearl Convertible Notes.
- (h) **Issue of Shares to a Director in satisfaction of accrued fees.** The issue by the Company of 500,000 Shares (on a post-Consolidation basis) to Mr Victor Turco, a Director of the Company (or his nominee(s)) at a deemed issue price of \$0.20 per Share in satisfaction of accrued directors fees.
- (i) **Issue of New Options to advisers, brokers and promoters.** The issue by the Company of up to 36,000,000 New Options (on a post-Consolidation basis) to Cadmon (or its nominees) in connection with the Recapitalisation Proposal at an issue price of \$0.0001 per New Option.
- (j) **Reinstatement to quotation.** Following lodgement of the Prospectus, the Company will make an application to the ASX for its Shares, the existing listed Options and the New Options to be reinstated to quotation on the ASX.

A summary of the terms of the DOCA is set out in Section 9.5.

#### 4.4 General Meeting

The General Meeting was held on 30 June 2017 and Shareholder approval was obtained for the following matters in connection with the Recapitalisation Proposal:

- (a) a change to the nature and scale of the Company's activities for the purposes of Listing Rule 11.1.2;
- (b) the Consolidation;
- (c) the issue of the Consideration Shares to the Pearl Vendors (or their respective nominees) pursuant to the Vendor Offer in consideration for the Acquisition;
- (d) the issue of Shares pursuant to the Public Offer; and
- (e) the issue of Securities pursuant to the Offer Offers, being:
- (i) the issue of Shares to Victor Turco, a current Director of the Company;
  - (ii) the issue of New Options to Cadmon (or its nominees);
  - (iii) the issue of Shares and New Options to the Pearl Noteholders;
- (f) the election of new directors, Gary Foster and Andrew Drennan;
- (g) the change of the Company's name to "Pearl Global Limited".

In addition, the Company obtained Shareholder approval to the following resolutions at the General Meeting:

- (h) **Annual reports/Remuneration reports:** the approval of remuneration reports for the financial year ended 30 June 2016; and
- (i) **Re-election of Director:** the re-election of Victor Turco as a Director.

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## 5 Key information and indicative timetable

Key information <sup>1,3</sup>	Details <sup>2</sup>
Shares currently on issue	9,250,694
<b>Public Offer (incorporating the Priority Offer)</b>	
Price per Share offered under the Public Offer	\$0.20
Shares offered for subscription under the Public Offer	25,000,000
Proceeds of the Public Offer (before costs)	\$5,000,000
<b>Other Offers</b>	
Shares to be issued to the Pearl Vendors ( <b>Vendor Offer</b> )	80,000,000
New Options to be issued to the Lead Manager (or its nominees)	36,000,000
Price per New Option issued to the Lead Manager (or its nominees)	\$0.0001
New Options to be issued to Shareholders by way of the Bonus Issue	3,083,564
New Options to be issued to Pearl Noteholders	6,239,567
Shares to be issued at a deemed issue price of \$0.16 per Share upon conversion of the Pearl Convertible Notes	18,718,750
Shares to be issued to Victor Turco	500,000
Proceeds of Other Offers	\$3,600

**Notes:**

1. Please refer to Section 6.4 for further detail relating to the Company's proposed capital structure.
2. All numbers in the above table are stated on a post-Consolidation basis, ignoring the treatment of fractional entitlements under the Consolidation.
3. The rights attaching to the Securities are summarised in Section 12.3.

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Indicative timetable*	Date
Record date for the Consolidation	5 July 2017
Lodge Original Prospectus with ASIC and ASX	10 July 2017
Completion of Consolidation	12 July 2017
Application for quotation on ASX (Appendix 1A)	13 July 2017
Lodge Replacement Prospectus with ASIC and ASX	21 August 2017
Opening Date for the Offers	21 August 2017
Closing Date for the Offers	8 September 2017
Completion of Acquisition and issue of Securities under the Prospectus	22 September 2017
Dispatch of holding statements	26 September 2017
Expected date for re-quotation of the Company's Shares on ASX	5 October 2017

\***Note:** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offers early without notice. Applicants are therefore encouraged to lodge their Application Form as soon as possible after the Opening Date if they wish to invest in the Company.

## 6 Details of the Offers

### 6.1 The Offers

This Prospectus contains the following separate offers:

- (a) the Public Offer (incorporating the Priority Offer); and
- (b) the Vendor Offer; and
- (c) Other Offers.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

#### **Public Offer (incorporating the Priority Offer)**

Pursuant to this Prospectus, the Company invites applications under the Public Offer for 25 million Shares (on a post-Consolidation basis) at an issue price of \$0.20 per Share to raise \$5 million.

The Public Offer also incorporates a priority offer to those persons who made an application to purchase shares under the Company's prospectus dated 23 October 2015, but who did not receive shares or a refund, up to the amounts returned to them pursuant to the DOCA and (as the case may be) the Landau Creditors' Trust or the Trust Creditors' Trust. The number of shares remaining following satisfaction of applications under the Priority Offer will be allocated to applicants under the Public Offer generally (at the Company's discretion).

The Shares issued under the Priority Offer form part of the Public Offer and the total number of Shares issued under the Public Offer and Priority Offer together will not exceed 25,000,000 Shares (on a post-Consolidation basis).

The Shares to be issued pursuant to the Public Offer (incorporating the Priority Offer) are of the same class and will rank equally in all respects with the existing fully paid ordinary shares in the Company (on a post-Consolidation basis). The rights and liabilities attaching to the Shares are further described in Section 12.3.

### **Vendor Offer**

Pursuant to this Prospectus, the Company offers the Pearl Vendors (or their respective nominees) 80 million Shares (on a post-Consolidation basis) at a deemed issue price of \$0.20 per Share on the terms set out in Section 9.1 in consideration for the Acquisition of Pearl (**Vendor Offer**). No funds will be raised from the Vendor Offer.

### **Other Offers**

#### *Pearl Noteholders*

Pursuant to this Prospectus, the Company offers the Pearl Noteholders:

- (b) 18,718,750 Shares to be issued at a deemed issue price of \$0.16 per Share upon conversion of the Pearl Convertible Notes; and
- (c) 6,239,567 New Options to be issued to Pearl Noteholders exercisable at \$0.30 each on or before the date falling 3 years after their issue.

#### *Director issue*

Pursuant to this Prospectus, the Company offers Victor Turco 500,000 Shares at a deemed issue price of \$0.20 per Share in satisfaction of accrued fees for services provided to the Company.

#### *Bonus issue*

Pursuant to this Prospectus, the Company offers 3,083,564 New Options to be issued to Shareholders by way of the Bonus Issue exercisable at \$0.30 each on or before the date falling 3 years after their issue. The New Options will be issued for free. The record date for the Bonus Issue is dependent on the date of closing of the close of the Public Offer and satisfaction of the Offer Conditions, but will be prior to the issue of the Consideration Shares under the Vendor Offer, the Shares under the Public Offer and the other issues of Shares contemplated by the Recapitalisation Proposal and the Other Offers. The record date for the Bonus Issue will be announced in due course.

#### *Broker options*

Pursuant to this Prospectus, the Company offers 36 million New Options to be issued to Cadmon (or its nominee) exercisable at \$0.30 each on or before the date falling 3 years after their issue. These New Options will be issued at a price of \$0.0001 per New Option.

A total of \$3,600 will be raised from the Other Offers.

## **6.2 Minimum subscription**

The minimum subscription to the Public Offer is \$5 million. This is also the maximum subscription.

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If the minimum subscription to the Public Offer has not been raised within 4 months after the date of the Original Prospectus, the Company will not issue any Shares pursuant to the Public Offer and will repay all application monies for those Shares within the time prescribed under the Corporations Act, without interest.

### **6.3 Sources and use of funds**

On successful completion of the Public Offer, the Directors believe the Company will have sufficient working capital to carry out its objectives as detailed in this Prospectus.

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<b>Sources and uses of funds</b>	<b>(\$)</b>
<b>Sources</b>	
Actual cash balance of the Company at 19 July 2017	754,962
Benefit of GST input tax credits arising from purchase of TDU from Keshi	136,364
Benefit of other GST input tax credits currently due	40,470
Proceeds from the Offers <sup>1</sup>	5,000,000
Cash acquired from Pearl, current Pearl cash balance as at 19 July 2017 <sup>1</sup>	500,000
Issue of options to the lead manager, Cadmon, or its nominees <sup>1</sup>	3,600
<b>Total sources</b>	<b>6,435,396</b>
<b>Uses<sup>7</sup></b>	
Remaining costs of the Offers to be paid <sup>2</sup>	(586,691)
Purchase of a TDU <sup>3</sup>	(1,500,000)
Director sign on fee payment <sup>1</sup>	(300,000)
Administrator fees/DOCA amounts remaining to be paid	(164,620)
<b>Expected cash balance following the Offer</b>	<b>3,884,085</b>
Continuing investment in research and development <sup>4</sup>	(350,000)
<b>Committed costs as at the date of this Prospectus:</b>	
Directors' annual salary (incl superannuation)	(959,130)
Annual lease for Qld property	(438,188)
Insurance instalments	(163,200)
STIs expected to be paid to Directors (incl superannuation) <sup>5</sup>	(360,000)
<b>Total continuing investment in research and development and other committed costs</b>	<b>(2,270,518)</b>
Working capital <sup>6</sup>	(1,613,568)
<b>Total uses</b>	<b>(6,435,396)</b>

**Notes:**

1. Refer Section 10.7 for further details relating to the pro forma adjustments that are expected to occur as a consequence of the Offers.
2. Refer to Section 12.8 for further details of the total costs in respect of the Offers, this amount represents the remaining Offer costs to be paid as at 19 July 2017.
3. This amount is proposed to be used (subject to finalisation of terms with Keshi) to purchase one already constructed TDU from Keshi and is inclusive of royalties.
4. Research and development costs in connection with the research and development Pearl will continue to undertake with Keshi relating to the Project and technology.
5. This relates to STI payments under 9.8(f)(ii) and 9.8(q)(ii). The STI payments discussed at Section 9.8(f)(i) and 9.8(q)(i) will (if they become payable) be paid from cash flows generated in meeting the relevant KPIs.

6. Working capital will be applied to meet future operational expenses of the business which are not currently known/committed to and to maintain a surplus operating contingency for the business.
7. Uses estimated over an 18 month period following the Acquisition.

The above table is a statement of current intentions as of the date of this Prospectus. The Board reserves the right to alter the way funds are applied on this basis.

#### 6.4 Capital structure

The Company's capital structure following completion of the Offers and the Acquisition is summarised below:

<b>Shares</b>	<b>Number<sup>1</sup></b>
Shares currently on issue	9,250,694
Consideration Shares to be issued to Pearl Vendors	80,000,000
Maximum number of Shares to be issued pursuant to the Capital Raising at \$0.20 each	25,000,000
Number of Shares to be issued at a deemed issue price of \$0.16 per Share upon conversion of the Pearl Convertible Notes	18,718,750
Number of Shares to be issued to Victor Turco at a deemed issue price of \$0.20 per Share in satisfaction of accrued fees for services provided to the Company	500,000
<b>Total Shares on completion of the Recapitalisation Proposal</b>	<b>133,469,444</b>
<b>Options</b>	<b>Number<sup>1</sup></b>
Unlisted Options exercisable at \$14.21 each, expiring 31 January 2020 <sup>2</sup>	23,567
Unlisted Options exercisable at \$11.37 each, expiring 31 January 2020 <sup>2</sup>	11,608
Unlisted Options exercisable at \$8.53 each, expiring 31 January 2020 <sup>2</sup>	11,608
Listed New Options to be issued to Shareholders by way of the Bonus Issue exercisable at \$0.30 each on or before the date falling 3 years after their issue	3,083,564
Listed New Options to be issued to Pearl Noteholders exercisable at \$0.30 each on or before the date falling 3 years after their issue	6,239,567
Listed New Options to be issued to Company advisers, brokers and promoters exercisable at \$0.30 each on or before the date falling 3 years after their issue	36,000,000
<b>Total Options on completion of the Recapitalisation Proposal</b>	<b>45,389,914</b>
<b>Total issued Shares</b>	<b>Number<sup>1</sup></b>

Shares	Number <sup>1</sup>
<b>Total issued Shares on re-instatement to ASX (undiluted)<sup>2</sup></b>	<b>133,469,444</b>
<b>Total issued Shares on re-instatement to ASX assuming all of the current issued Options are exercised before reinstatement<sup>2</sup></b>	<b>133,516,227</b>

**Notes:**

1. All numbers and amounts in the above table are stated on a post-Consolidation basis, ignoring the treatment of fractional entitlements under the Consolidation (other than in respect of the New Options to be issued to the Pearl Noteholders upon conversion of the Pearl Convertible Notes).
2. Assuming no existing Options are exercised prior to re-instatement. As the last sale on the ASX trading day immediately preceding the date of this Prospectus was \$0.059, the Options are not "in the money" (taking account of the Consolidation) and it is therefore unlikely that they will be exercised before the Company's reinstatement to trading on ASX.
3. The rights attaching to the Securities are summarised in Section 12.3 of this Prospectus.
4. Refer to Section 9.3 or further details of the Lead Manager Mandate.
5. Refer to Section 9.9 for further details of the Convertible Note Agreement.

## 6.5 Applications

All Applications for Securities under the Public Offer must be made using the applicable Public Offer Application Form. All Applications for Securities under the Priority Offer must be made using the applicable Priority Offer Application Form.

By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Application Forms in respect of the Public Offer or the Priority Offer must be accompanied by payment, made by electronic funds transfer in accordance with the instructions set out in the Application Form, or by a personal cheque or a bank draft payable in Australian dollars, for an amount equal to the number of Shares for which the Applicant wishes to apply multiplied by the issue price of \$0.20 per Share. Cheques or bank drafts should be made payable to "**Citation Resources Limited (Subject to Deed of Company Arrangement)**" and crossed "Not Negotiable".

No brokerage or stamp duty is payable by Applicants. The amount payable on application will not vary during the Offer Period.

Applications for Shares under the Public Offer or the Priority Offer must be for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 2500 Shares (\$500) and payment for those Shares must be made in full at the issue price of \$0.20 per Share.

The Company reserves the right to close the Offers early.

Applicants should ensure that cleared funds are available at the time the Application Form is lodged, as dishonoured cheques will result in the Application Form being rejected. Application monies will be held in trust in a subscription account established and controlled by the Company until the allotment of Shares has taken place.

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Completed Application Forms should be provided to the Company by:

Hand or post to: **Computershare Investor Service Pty Limited**  
**GPO Box 52**  
**Melbourne VIC 3001**

Application Forms must be received by no later than 5:00pm WST on the Closing Date.

Detailed instructions on how to complete paper Application Forms are set out on the reverse of those forms. Applicants are not required to sign the Application Form.

## 6.6 ASX listing

The Company applied for Official Quotation by ASX of the Shares and Options offered pursuant to the Original Prospectus on 13 July 2017, being a date within seven days after the date of the Original Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of the Original Prospectus, or such period as varied by ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

## 6.7 Issue

Subject to the Offer Conditions being satisfied, the issue of Securities offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company on trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors reserve the right to reject any application (other than a valid application under the Priority Offer) or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Holding statements for Securities issued to the issuer sponsored subregister and confirmation of issue for Clearing House Electronic Subregister System (**CHES**) holders will be mailed to Applicants being issued Securities pursuant to the Offers as soon as practicable after their issue.

## 6.8 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this

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Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia, it is your responsibility to obtain all necessary approvals for the issue to you of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

## 6.9 Restricted Securities

Chapter 9 of the Listing Rules prohibits holders of restricted Securities from disposing of those Securities or an interest in those Securities for the relevant restriction periods. The holder is also prohibited from granting a security interest over those Securities.

Subject to the Company being reinstated to quotation on the Official List, certain Securities on issue may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner.

None of the Securities issued pursuant to the Public Offer and the Priority Offer are expected to be restricted securities.

It is estimated that:

- (a) 22.95% of the Consideration Shares being those Shares to be issued to Bretnall Custodians Pty Ltd as trustee for the Foster Family Trust (an associate of Gary Foster, a proposed Director), a Pearl Vendor will be escrowed for a period of 24 months from the date of Official Quotation;
- (b) 16.75% of the Consideration Shares being those Shares to be issued to proposed Director Andrew Michael Drennan as trustee for the Drennan Family Trust, a Pearl Vendor will be escrowed for a period of 24 months from the date of Official Quotation;
- (c) the remainder of the Consideration Shares will be escrowed for a period of 12 months from the date of Official Quotation; and
- (d) 100% of the New Options to be issued to Cadmon (and/or its nominees) in connection with the Lead Manager Mandate (being 36 million New Options in total) will be escrowed for a period of 24 months from the date of Official Quotation.

ASX may determine further escrow restrictions in response to the Company's application for quotation of the Shares offered under this Prospectus. The Company will announce to the ASX full details (quantity and duration) of the Securities required to be escrowed prior to the Shares commencing trading on ASX.

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## 6.10 Financial information

Key summary financial information for the Company and Pearl for the financial years ended 30 June 2015 and 30 June 2016 and the half year ended 31 December 2016 is set out below. For financial information relating to the Company and the combined group subsequent to the Acquisition, refer to the Investigating Accountant's Report in Section 10.

### Citation income statement summary

	Audited	Audited	Reviewed
\$'000			
June year end	FY2015	FY2016	HY2017
Other income	16	435	-
NLBT	(2,262)	(7,357)	(464)
NLAT	(2,262)	(7,357)	(464)
Total comprehensive loss for the period	(16,887)	(13,877)	(464)

The financial information presented above contains non IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion set out in "Section 10 - Financial Information", as well as the risk factors set out in "Section 8 – Risks".

Investors should read "Section 10 – Financial Information" for full details of the statutory historical and pro forma results and the assumptions underlying this information in addition to the Independent Limited Assurance Report also included in Section 10.

Investors should also note that past performance is not a guide to future performance.

## Citation cash flow statement summary

	Audited	Audited	Reviewed
\$'000			
June year end	FY2015	FY2016	HY2017
Net cash outflow from operating activities	(2,464)	(2,871)	(402)
Net cash outflow from investing activities	(2,125)	(3,000)	-
Net cash inflow from financing activities	3,101	5,878	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,488)</b>	<b>7</b>	<b>(402)</b>
Cash and cash equivalents at the beginning of the period	2,107	619	626
<b>Cash and cash equivalents at the end of the period</b>	<b>619</b>	<b>626</b>	<b>224</b>

## Pearl income statement summary

	Audited	Audited	Reviewed
\$'000			
June year end	FY2015	FY2016	HY2017
Revenue	38	-	4
NLBT	(1,548)	1,420	(1,320)
NLAT	(1,056)	2,397	(1,320)
Total comprehensive (loss) / gain for the period	(1,029)	2,397	(1,320)

## Pearl cash flow statement summary

	Audited	Audited	Reviewed
\$'000			
June year end	FY2015	FY2016	HY2017
Net cash outflow from operating activities	(822)	(888)	(172)
Net cash outflow from investing activities	(1,027)	(2,096)	(516)
Net cash inflow from financing activities	1,015	4,710	-
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(834)</b>	<b>1,726</b>	<b>(688)</b>
Cash and cash equivalents at the beginning of the period	1,183	349	2,075
<b>Cash and cash equivalents at the end of the period</b>	<b>349</b>	<b>2,075</b>	<b>1,387</b>

Pro forma balance sheet  
summary as at 31 December  
2016

<b>As at 31 December 2016</b>	<b>Citation Reviewed \$'000</b>	<b>Pro Forma Reviewed \$'000</b>
Total current assets	2,242	,6,540
Total non current assets	3,300	4,415
<b>Total assets</b>	<b>5,542</b>	<b>10,955</b>
Total current liabilities	(2,204)	(349)
<b>Total liabilities</b>	<b>(2,204)</b>	<b>(349)</b>
<b>Net assets</b>	<b>3,338</b>	<b>10,606</b>

#### 6.11 Dividend policy

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and the Company's operating results and financial condition, future capital requirements and general business and other factors the Directors consider relevant. The Company can give no assurance in relation to the payment of dividends or franking credits attached to dividends.

#### 6.12 Other information

<b>Information</b>	<b>Further Detail</b>
<p><b>How to apply for Shares under the Public Offer and the Priority Offer</b></p> <p>Complete and return the relevant Application Form, together with payment in full for the number of Shares being applied for. Applications must be for a minimum of 10,000 Shares (\$2000) and thereafter in multiples of 2,500 Shares (\$500).</p>	Section 6.5
<p><b>Will the Shares be listed?</b></p> <p>Application for Official Quotation of the Shares and Options offered pursuant to this Prospectus was made on 13 July 2017, being a date within seven days after the date of the Original Prospectus.</p>	Section 6.6
<p><b>How will the Shares under the Public Offer (incorporating the Priority Offer) be allocated?</b></p> <p>Other than in respect of valid applications made under the Priority Offer, Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for.</p>	Section 6.7

Information	Further Detail
<p><b>Where will the Offers be made?</b></p> <p>No action has been taken to register or qualify the Securities, or otherwise permit a public offering of the Securities the subject of this Prospectus, in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.</p>	Section 2.4
<p><b>Broker commissions</b></p> <p>The Company reserves the right to pay a commission on amounts subscribed through any licensed securities dealers or Australian financial services licensee and accepted by the Company.</p>	Section 9.3 and 12.8
<p><b>CHESS &amp; Issuer Sponsorship</b></p> <p>The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.</p>	Section 12.10
<p><b>Who should I contact with queries?</b></p> <p>Any questions concerning the Offers should be directed to the Company by telephone on +61 8 9431 9888.</p>	Section 1

### 6.13 Corporate governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (Third Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Company's corporate governance statement (including its compliance and departures from the Recommendations) is set out in Section 11.5.

The Company's full Corporate Governance Plan is available in the Company's 2016 Annual Report, available at [www.citationresources.com.au](http://www.citationresources.com.au) under the 'ASX Announcements' page.

## 7 Pearl & industry overview

### 7.1 Pearl Acquisition

The Company has been actively looking for alternative assets that can be acquired to provide Shareholder value. The evaluation of opportunities has culminated in the announcement on 30 May 2017 of the proposed acquisition of Pearl.

The Acquisition involves a significant change to the nature of the Company's main business activity from exploring and developing oil and gas assets to the development of

an industrial process involving the reclamation of reusable and saleable products from used shredded tyres/rubber in accordance with applicable environmental laws in Australia.

Furthermore, the Acquisition involves a significant change to the size of the Company's business operations.

Given these circumstances, ASX has exercised its discretion to require the significant change to the nature and scale of the Company's main business activity to be approved by the Company's Shareholders under ASX Listing Rule 11.1.2. This approval was obtained from Shareholders at the General Meeting.

Further details of the Acquisition Agreement are contained in Section 9.1.

## 7.2 Background on Pearl

### *General*

Pearl is a private unlisted Australian company which holds the exclusive worldwide licensing rights to a tyre recovery process which reclaims waste rubber back into its constituent parts being liquid hydrocarbon, high tensile steel and carbon char (**the Project**).

Pearl is not yet in commercial production and the Project is in its development stage. There is no guarantee Pearl will successfully commercialise the Project or otherwise reach successful, sustainable operations, within any particular timeframe, or at all.

### *Pearl corporate structure*

Pearl has two wholly-owned subsidiaries, being TRR and Rubber Reclamation Industries Pty Ltd.

TRR is a 100% subsidiary of Pearl and it is intended that TRR be used as a vehicle for granting global sub-licenses of the Intellectual Property in respect of potential future overseas expansions of the Project. Rubber Reclamation Industries Pty Ltd is a 100% subsidiary of Pearl and Pearl intends to utilise Rubber Reclamation Industries Pty Ltd in respect of its domestic commercial operations.

### *Pearl financial information*

For financial information relating to Pearl, refer to Section 10 including the Investigating Accountant's Report.

## 7.3 The Project

### *Project technology*

The Project involves using shredded used tyres as feedstock to create saleable products by virtue of a heating system which manages certain key elements within the thermal desorption process.

The process consists of an atmospherically sealed apparatus for the continuous processing of waste rubber. The intention of the process is to reclaim the raw materials and elements that made up the tyre at the beginning of its life. The main products extracted from the process are fuels, carbon char, high tensile steel and gases. The

main objective of this invention is to provide a reliable, repeatable, dependable and economical continuous stream thermal desorption vessel that significantly reduces the environmental footprint caused by waste rubber.

The process incorporates phases and sequences of events for the continuous operation of processing end of life rubber that responds well to thermal desorption.

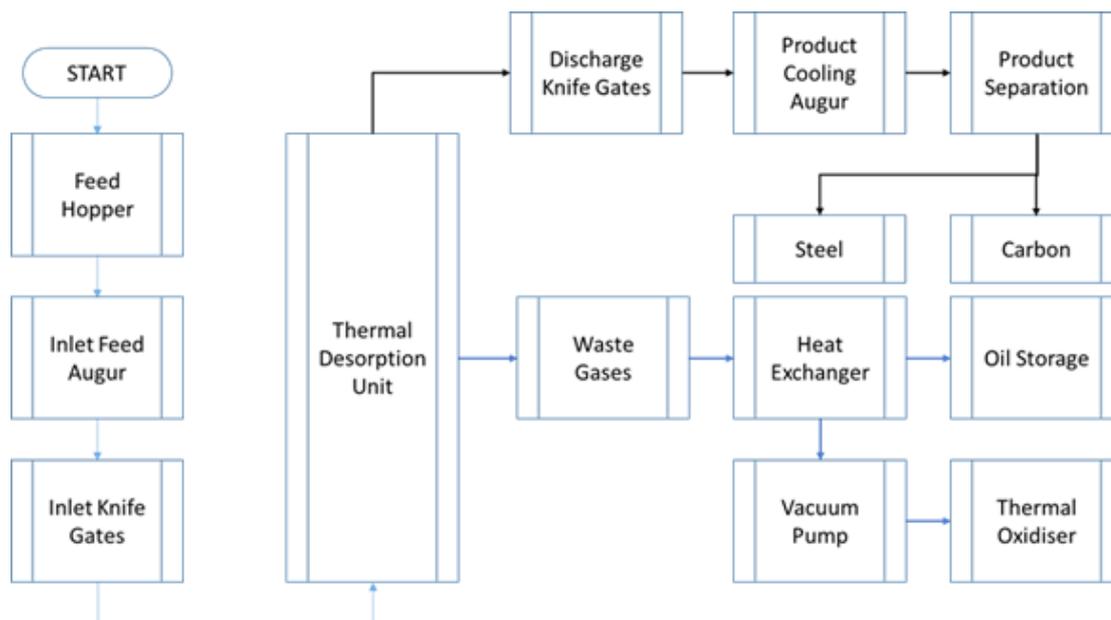
The atmospherically sealed vessel has an inlet port for the raw material to enter the vessel which incorporates in its design multiple air locks to prevent both atmospheric discharge and air ingress. On the opposite end of the inlet port of the vessel is a discharge port with multiple air locks for the carbon char and high tensile steel products to exit from. Gases generated by the thermal desorption of the end of life rubber are extracted from the process. The gases are passed through a condenser where the condensable hydrocarbons are captured and the non-condensable hydrocarbons then pass through a thermal oxidiser to ensure all emissions are well within applicable emission standards.

The end of life rubber is conveyed into the thermal desorption unit through an airlock system and further transferred through the variable isothermal zones within the reactor. Depending on the size and nature of the feed material, the system runs to a programmed cyclic sequence that determines the resident time within the individual isothermal zones. The isothermal zones are individually controlled and highly variable in their heat profile. The number of isothermal zones is determined in relation to the physical and chemical properties of the feed material and the desired outcomes for the end product.

The main reactor vessel is completely enclosed in a specifically designed and insulated external shell. The main reactor heating system and additional insulation material are housed within the external shell to ensure a safe working environment and to create an extremely efficient heating system.

The final solid products are then discharged through the vessel's discharge port situated on the distal end from the inlet port before they pass through a separation system that separates the carbon/char from the high tensile steel.

A diagram representing the Project process appears below:



### **Industry background**

At present in Australia and in a number of other major countries, used tyres are generally either recycled, exported, disposed of in landfill or illegally dumped. In 2013-2014, approximately 51 million tyre Equivalent Passenger Units (EPU) reached end of life in each of those years in Australia alone (Table 2.8, Hyder Report, 2015). Used tyres are now banned from landfill in areas of selected states in Australia (and certain other countries) and are classed as hazardous waste in selected states in Australia (and certain other countries) meaning their handling and disposal is restricted. Disposal costs are significant which has encouraged significant illegal dumping, and as such, regulators have established clean up targets for used tyres (Hyder Report, 2015).

It is currently estimated that the world community disposes of 13.5 million tonnes of used tyres per annum. Assuming an average disposal weight of 9kg, this equates to 1.5 billion tyres.

In Australia, the Tyre Stewardship Association (**TSA**) is supported by approximately 1,200 industry participants as well as the federal government. The TSA's charter is to monitor and report on how Australia's used tyres are disposed of.

Currently, there are several used tyre collection companies, who typically have a business model of collecting or receiving tyres from tyre retailers for a fee per tyre. A tyre collection company then either bales tyres into bundles ready for exporting to overseas markets, or shreds the tyres (to reduce space), loads them into sea containers and exports to overseas markets to be used as a fuel source, mainly for burning in cement kilns and used in heavy industry furnaces. The TSA is in support of finding new ways to deal with the issue of used tyres, as they do not see exporting Australia's waste stream to overseas countries as a sustainable solution.

The Project seeks to reduce some of the main obstacles that block sustainable waste conversion of rubber by aiming to keep emissions well under environmental standards, 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.

Through Pearl's research in the current market, there is a considerable supply of shredded feedstock as the preferred approach by industry to storing used tyres is generally to shred them to reduce the volume of shred waste. At this stage, the Project does not involve a shredding component, however if as part of its business development plans, Pearl determines that this is an attractive option, it may (subject to obtaining the requisite approvals) look to expand the Project technology further to include shredding processes within the overall process.

## 7.4 Research and development

### ***Previous business plans***

To date, Pearl has been involved in research, testing and development of the Project technology. Pearl first obtained an exclusive intellectual property licence to exploit the Project technology in February 2016.

The Company had previously lodged announcements on the ASX referring to potential opportunities which Pearl was exploring in or about 2015 and 2016 with respect to the Project, including potentially establishing a TDU in New South Wales and a "Heads of Agreement" which Pearl had entered into with Singapore-based entity Centricity Corporation Limited. Pearl has not pursued those opportunities further and no further formal agreements have been entered into in respect of these proposals. Further, there is no TDU established in New South Wales.

As grant funding became available in respect of the research and development of the technology and in respect of refining the tyre recycling process, it was decided that Pearl would instead pursue further research, development and refining of the technology rather than the expansion opportunities which were otherwise being considered at that time. As announced in the Company's quarterly report at March 2016, Pearl was no longer pursuing the opportunity with respect to Centricity Corporation Limited and that Heads of Agreement had ceased.

As such, Pearl has focused its operations on refining the Project in the development of refined products from the raw products produced from the TDUs. The Project is currently in its development phase, as further described below.

### ***Pearl's testing and verification activities***

In 2015, Pearl was granted an Environmental Licence (L8982/2016/1) from the Western Australian Government Department of Environment Regulation under the *Environmental Protection Act 1986* (WA).

Since the grant of that environmental licence, Pearl's key focus in respect of the Project has been on research and development. In particular, Pearl acquired a TDU and, in collaboration with Keshi, used this TDU to conduct a testing, research and development program under the environmental licence.

The focus of this testing, research and development was on technology verification and refinement to determine the design specification and the capability of a TDU to operate

within a regulated environmental regime. Pearl has conducted various tests over the most recent two year period which have involved operating a TDU at different feedstock input levels at varying durations to determine the output levels of the key by-products produced from the TDU process in a monitored emissions environment.

A summary of the results of the most recent testing program (as contained in Pearl's 2016/17 annual compliance report which Pearl submitted to the Western Australian Department of Environment Regulation) is set out below.

Dates	Days	Run hours (total)	Feedstock (kg)	Carbon (kg)	Oil (l)	Steel (kg)
Sep 16 – Jan 17	40	320	58,677.1	22,980	20,703	7,428

Of the 40 days on which the TDU was operated in the above mentioned testing period, it operated for 19 days for a duration of 8 hours or more, and included a continuous operational period of 69 hours (with varying levels of feedstock).

The testing and verification process which Pearl has conducted has allowed Pearl to determine the design specification of a TDU, its ability to operate within a certain emissions profile and its ability to produce the following key products:

- (a) **Fuels:** Fuel oil.
- (b) **High Tensile Steel:** High tensile steel is discharged from the process as a clean rubber-free product which can be sold to recyclers worldwide and re-used in the manufacturing and steel industries.
- (c) **Carbon char:** A fine powdered substance that can be sold as an energy source for cement kilns or further upgraded into higher value products such as activated carbon
- (d) **Non-condensable gases:** The non-condensable gases are passed through a thermal oxidiser producing emissions which better the minimum standards allowed in the European Waste Incineration Directive (Directive 2000/76/EC of the European Parliament). Furthermore, the non-condensable gas has high calorific value.

However, given the Project has not been operated on an ongoing basis, the testing regime completed to date provides no assurance or certainty that the Project is capable of being either commercial or profitable.

## 7.5 Business model

### *Intellectual Property*

Pearl and the Licensor have an intellectual property licence agreement (**Licence Agreement**), under which Pearl has an exclusive licence to use and exploit the Intellectual Property to build and operate the TDU's and the Licensor will receive a royalty at a fixed price as well as other royalties based on income generated by Pearl.

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Pearl and the shareholders of the Licensor have also entered into a Call Option Deed, under which Pearl is granted the option to purchase all of the issued share capital of the Licensor (and thereby securing ownership of the intellectual property owned by the Licensor). The consideration for the exercise of such purchase of shares is the issue of "B Class" shares in Pearl which will carry rights to dividends which are equivalent to the royalty payments under the Licence Agreement. These dividends will be paid to "B Class" shareholders after the acquisition of Keshi by Pearl pursuant to the exercise of the option under the Call Option Deed.

On the issue of B Class shares in Pearl to the Keshi shareholders, Pearl will not be a wholly owned subsidiary of the Company. The effect of this in terms of the voting control of Pearl will be minimal given that those holders of the B Class shares do not carry voting rights or rights to capital except in the limited circumstances described in relation to their shares. The only substantive right of the B Class shareholders is to that of dividends as described in Section 9.2.

The Licensor is not a related party of Citation for the purposes of Chapter 2E of the Corporations Act. It is noted however that:

- (a) Gary Foster is a proposed director of the Company and is a current director of both Pearl and the Licensor. His associate, Bretnall Custodians Pty Limited (ACN 091 315 516) as trustee for the Foster Family Trust, holds 27.47% of the total issued share capital in the Licensor.
- (b) Andrew Drennan is a proposed director of the Company and is a current director of both Pearl and the Licensor. Andrew Michael Drennan as trustee for the Drennan Family Trust and holds 20.05% of the total issued share capital in the Licensor.
- (c) Victor Turco is a current director of the Company. A trust controlled by his wife (Greenlink Pty Ltd (ACN 604 799 439) as trustee for the Debsago Trust) holds 0.5% of the total issued share capital in the Licensor.

The principal terms of the Licence Agreement and the Call Option Deed are detailed in Section 9.2.

### ***Project specifics***

As noted above, the Project seeks to convert waste streams into fuels, high tensile steel, carbon char and non-condensable gases, and reduces the environmental impact of used rubber by reducing emissions and landfill volumes. Manufacturing input costs for the Project are also comparatively low given discarded waste is the raw material used in the process. The Project aims to address the three major issues of tyre recycling being economics, emissions and the environment as detailed below:

- (a) **Economics.** The TDUs are modular in nature and therefore have a relatively low cost pre-fabrication design. The TDUs (comprising the various modular parts) have been designed to have low operating costs versus high value secondary product outputs. The TDUs have the ability to be fully transportable and are efficient in regards to power use.

Each TDU allows for simple installation and can be set up in a short period of time from delivery to site due to its innovative transportable design. The TDU can only be operational subject to obtaining all requisite regulatory and environmental approvals for each particular site.

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Due to their transportable nature and low emissions profile, the TDUs can potentially be transported directly to and set up close to the waste source (i.e. the shredded rubber feedstock) and subject to obtaining the relevant regulatory approvals can operate at those sites. It is intended that any further TDUs will be constructed in Australia utilising specialist engineering companies known to Pearl to ensure build integrity and design secrecy.

It is important to note that, notwithstanding the modular design of a TDU, there are many factors which Pearl will need to consider in determining whether it is practical or economic to transport or establish a TDU to a given site. See the discussion under Section 7.6, under the sub-heading “Project – potential expansion model”.

- (b) **Capital expenditure:** It is expected that any further TDUs will cost Pearl less than \$2 million per unit to build, which is inclusive of any initial royalty or payment due to the Licensor pursuant to the Licence Agreement. As noted in section 6.3, Pearl is intending to purchase the TDU that Keshi currently owns, and which is currently located at Pearl’s Queensland site, for \$1,500,000 (inclusive of GST and any initial royalty).
- (c) **Emissions and environment:** The Project process converts contaminated gases into clean burning gases (similar to natural gas) and has the theoretical potential to provide an energy source, based on the science underlying the Project technology. It should be noted that no process has been designed as yet to utilise these gases as energy sources or for other commercial purposes.

The environmental regulation of each jurisdiction in which Pearl operates will place conditions on the emissions which can be permitted through the use and operation of the TDUs. In respect of Pearl’s Queensland site, the Queensland regulatory authority has placed detailed restrictions on the emissions limits which Pearl is required to comply with in order to operate at that site. Please see Section 7.6 “Environmental approvals process” for further information.

Pearl also holds an Environmental Licence (L8982/2016/1) from the Western Australian Government Department of Environment Regulation under the *Environmental Protection Act 1986* (WA). This licence was utilised for Pearl’s research, development and testing activities prior to relocation of the associated TDU to Pearl’s Queensland site. The licence expires in February 2018. Pearl is not, at this stage, proposing to conduct any further operations in Western Australia in the near future.

## 7.6 Pearl’s proposed Queensland operations

### ***Location of operations***

Pearl has determined that key potential offtakers and target feedstock suppliers are located in Queensland. As such, Pearl intends to focus its initial operations in Queensland.

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Pearl has secured a long-term lease of its desired operational site in Stapylton, Queensland. The site is situated within 2,000m of ramp access to the M1 Pacific Motorway and includes just over 3,000m<sup>2</sup> of undercover shed space, 11,000m<sup>2</sup> of external hardstand if required and almost 150m<sup>2</sup> of office/reception space.

The TDU which was located in Western Australia, and which is owned by Pearl, has been transported to Pearl's Queensland site. A second TDU is located at Pearl's Queensland site, which is owned by Keshi and which Pearl intends to purchase utilising proceeds from the Offers. Until Pearl purchases this additional TDU, it has access to use and exploit that TDU through its Licence Agreement with Keshi.

Pearl is not yet operating in Queensland. Operations on the Queensland site can only commence once Pearl obtains the necessary environmental and planning approvals for the Queensland site. Further, any ongoing operations on a sustainable basis are subject to;

- a) Pearl finalising and executing appropriate offtake and feedstock supply agreements; and
- b) Pearl commencing and ramping up production, whilst monitoring the emissions profiles, of the two TDUs to achieve sustainable operations.

There can be no certainty that Pearl will successfully achieve these milestones and therefore no guarantee that Pearl will be able to achieve sustainable operations within any particular timeframe, if at all.

#### ***Environmental approvals process***

Pearl is required to have in place a licence from the Queensland Department of Environment and Heritage Protection under the Environmental Protection Act 1994 (Qld) (**EPA Approval**) to operate the TDUs at its Queensland site.

On 28 June 2017, Pearl was granted an EPA Approval "Environmental authority number EA0000862". This approval covers up to 4 TDUs at Pearl's Stapylton site only. This EPA Approval has not yet taken effect and will not do so until Pearl obtains a development approval under the Sustainable Planning Act 2009 (Qld) (**Development Approval**).

The Development Approval has not yet been granted, however the status of this application is as follows:

In April 2017, Pearl submitted a development application to the City of Gold Coast Council. This application was referred by the Council to the Queensland Department of Infrastructure, Local Government and Planning, and invited submissions and comments. On 29 June 2017, the Department of Infrastructure, Local Government and Planning confirmed to the City of Gold Coast Council that "The department advises the assessment manager, under section 287(2)(a) of the Act, that it has no requirements relating to the application."

On 13 July 2017, the City of Gold Coast Council issued a draft Development Approval to Pearl. Pearl has made submissions to the City of Gold Coast Council on this draft on

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the basis that some of the conditions included in the draft are not relevant to Pearl's facility.

On 27 July 2017, the City of Gold Coast advised Pearl that they will review Pearl's submission and will make a decision within 20 business days.

The EPA Approval and the Development Approval granted to Pearl contain a series of conditions which must be satisfied and complied with on an ongoing basis, in order for Pearl to be able to commence and continue operations under those approvals.

These include conditions relating to noise control, land contamination, air contamination, water contamination and reporting requirements in relation to emergency events and their impact on nearby infrastructure to the Stapylton site.

As part of its ongoing continual compliance with these approvals, Pearl is required to put in place and implement policies, procedures, internal controls and measures to satisfy the various licensing conditions on an operational level. Pearl is in negotiations with a suitably accredited third party consultant to conduct compliance checks of Pearl's implementation of relevant policies and procedures, and to award a Compliance Certificate (subject to satisfactory compliance) following commencement of operations. However, no agreement has been secured as at the date of this Prospectus and there can be no guarantee that such agreement will be able to be finalised.

As part of its ongoing compliance with the EPA Approval conditions, Pearl's operations are required to be confined within the emissions profile specified in the table below.

Pearl is in the process of engaging a third party service provider accredited under the National Association of Testing Authorities to conduct a testing and verification process to monitor the emissions profiles in respect of the two TDUs currently located in Queensland. In accordance with the requirements of the EPA Approval (as noted in the table below), the emissions are to be monitored within three months from the commissioning of the facility and six monthly thereafter.

Release Point	Minimum release height above ground (metres)	Minimum velocity (m/sec)	Contaminant	Maximum concentration release limit	Maximum mass release limit	Monitoring Frequency
Two stacks of same characteristic (each serving two thermal desorption units)	15	15	Total Solid Particulates (TSP)	50 mg/ Nm3 dry @ 7% O2	1 g/min	All stacks must be monitored for the contaminants within three months of commissioning of the facility and six monthly thereafter.
			Carbon Monoxide(CO)	125 mg/ Nm3 dry @ 7% O2	2.5 g/ min	
			Oxides of Nitrogen (as NO2)	450 mg/ Nm3 (dry) @ 7% O2	9 g/min	
			Oxides of Sulphur (sulphur dioxide and sulphur	600 mg/ Nm3 (dry) @ 7% O2	12 g/min	

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			trioxide as SO <sub>2</sub> equivalent)		
			Volatile Organic Compounds (as n-propane equivalent)	20 mg/Nm <sup>3</sup> (dry) @ 7% O <sub>2</sub>	0.4 g/Min
			Polycyclic Aromatic Hydrocarbons (PAH) (as BaP equivalent) (Note 1)	5 µg/Nm <sup>3</sup> (dry) @ 7% O <sub>2</sub>	0.1 mg/min
			Cadmium and its compounds (expressed as Cd)	0.2 mg/Nm <sup>3</sup> (dry) @ 7% O <sub>2</sub>	0.004 g/min
			Mercury and its compounds (expressed as Hg)	0.2 mg/Nm <sup>3</sup> (dry) @ 7% O <sub>2</sub>	0.004 g/min
			Total Heavy Metals (Note 2)	1 mg/Nm <sup>3</sup> (dry) @ 7% O <sub>2</sub>	0.02 g/min
			Hydrogen chloride (HCl)	20 mg/Nm <sup>3</sup> (dry) @ 7% O <sub>2</sub>	0.4 g/min
			Hydrogen Fluoride (HF)	4 mg/Nm <sup>3</sup> (dry) @ 7% O <sub>2</sub>	0.08 g/min
			Dioxins and furans	0.1 ng ITEQ/Nm <sup>3</sup> (dry) @ 11 % O <sub>2</sub>	0.001 µg/min

**Notes:**

1. Polycyclic Aromatic Hydrocarbons (PAH) limit is for total of the 16 priority pollutants listed by the United States EPA, namely, Naphthalene, Acenaphthylene, Acenaphthene, Fluorene, Phenanthrene, Anthracene, Fluoranthene, Pyrene, Benz(α) anthracene, Chrysene, Benzo(β)fluoranthene, Benzo(k)fluoranthene, Benzo(α)pyrene, Indeno[123cd] pyrene, Dibenz[ah]anthracene and Benzo[ghi] perylene, expressed as Benzo(α)pyrene equivalents using the potency equivalence factors specified by the World Health Organisation.
2. Total heavy metals includes the elements antimony, arsenic, cadmium, lead, beryllium, chromium, cobalt, manganese, nickel, selenium, tin, vanadium, mercury or any compound containing one or more of those elements

### ***Contractual arrangements***

Pearl does not currently have any executed offtake agreements in place in respect of the Project, and there can be no guarantee that it will be able to finalise and enter any such agreements. However, Pearl is currently in negotiations with potential offtakers.

Products which were generated through the research, development, verification and testing process undertaken by Pearl in Western Australia (including those tests which are summarised in Section 7.4 "Pearl's research and development" have been sold by Pearl on a spot basis to various parties. The funds received from these sales were immaterial, however, some of these parties have expressed an interest in further formal offtake agreements with Pearl. Notwithstanding this, however, there can be no certainty of any commercial offtake agreement being executed by Pearl within any particular timeframe, or at all.

In terms of supply agreements, Pearl is in discussions to secure approximately 50,000 tonnes per annum of shredded rubber feedstock from a single national supplier in respect of its operations. It should be noted, however, that unless Pearl can demonstrate that it is able to successfully operate the TDUs in Queensland, no such commercial arrangement is likely to be confirmed. Further, Pearl's ability to commit to taking any proportion of the 50,000 tonne of feedstock will also depend on the level of offtake Pearl is able to secure under any proposed offtake agreements.

Such negotiations are being finalised in conjunction with the approvals process and emissions monitoring in respect of the two TDUs. It should be noted that, although discussions are advancing, there is no guarantee that appropriate supply and offtake agreements will be entered into.

### ***Project – potential expansion model***

Pearl intends to explore the potential to expand and commercialise the Project within Australia by building close working relationships with registered tyre collectors and recyclers and as part of this, Pearl intends to:

- a) ensure continuity of supply of shredded rubber, fit for purpose to use as feedstock for the TDU's (based on Pearl's research and knowledge of the current Australian market, there is a considerable supply of shredded rubber given that the preferred approach by industry for storing used tyres is to shred them so as to reduce the volume of stored waste); and
- b) potentially reduce the export of Australia's waste tyres in the form of shredded, baled and whole tyres, to overseas markets.

No firm expansion plans are currently in place. Any expansion plans are also dependent on Pearl's ability to initially reach a sustainable operational level at its Queensland site, for which there is no guarantee.

Further, any potential future expansion to other locations in Australia will be dependent on whether it is economically beneficial for Pearl to establish a TDU at, or transport a TDU to any given site, by considering factors such as the following on a case by case basis:

- a) The relevant site will need to have the appropriate environmental approvals and licenses in place. Such approvals will need to be finalised prior to any operations at such site.
- b) The likelihood of any particular site qualifying for the relevant approval, and whether the time and cost of obtaining such approval in the relevant jurisdiction would be practical or commercial in the circumstances. In Pearl's experience, timeframes for environmental approvals can vary significantly between different jurisdictions. Further, each jurisdiction applies varying conditions which must be satisfied before the relevant environmental approval can be obtained.
- c) The cost of the transportation and commissioning of the TDU at the relevant site.
- d) The availability of appropriate infrastructure facilities to operate the TDU.
- e) The availability of requisite space and proximity to the relevant suppliers and/or offtakers.
- f) The tenure of potential feedstock supplies and offtake arrangements in that particular site.

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## **8 Investment risks**

### **8.1 Introduction**

The Company's and Pearl's activities are subject to a number of risks, which may impact its future financial performance and the market price at which Securities offered under this Prospectus trade, in particular risks associated with the Project's un-commercialised start-up status. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, others are outside the Company's control and cannot be mitigated. Therefore, investors who acquire Securities under this Prospectus may be exposed to a number of risks. Broadly, these risks can be classified as risks general to investing in the share market and risks specific to an investment in Securities and the Company's and Pearl's underlying business.

This Section sets out some of the major risks associated with investing in the Company. This list is not exhaustive and investors should read this Prospectus in its entirety before making an investment decision. Investors should also have regard to their own investment objectives and financial circumstances, and should consider seeking appropriate independent investment advice before deciding whether to invest in the Securities offered by this Prospectus.

### **8.2 Specific risks**

#### **(a) Termination of the DOCA**

As the Company is currently subject to a Deed of Company Arrangement, there is a risk that if the terms and conditions of the DOCA are not satisfied then the Company may proceed into liquidation. The terms and conditions of

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the DOCA are summarised in Section 9.5. However, if the DOCA is not wholly effectuated then investors will be repaid their Application Monies in accordance with Section 6.6.

(b) **Listing of Shares on ASX**

As outlined elsewhere in this Prospectus the Shares are currently suspended. If the Offer Conditions are satisfied, the Company will seek to have its Shares released from suspension. ASX has an ultimate discretion on the lifting of the suspension.

(c) **Acquisition risk**

In order for the Company to be able to achieve its objectives and acquire the issued shares of Pearl under the Acquisition, the Company is reliant on the Pearl Vendors complying with their contractual obligations under the Acquisition Agreement. The Acquisition is also subject to satisfaction of certain conditions precedent as noted in section 9.1.

Should the Pearl Vendors fail to comply with the terms of the Acquisition Agreement, or should the conditions precedent contained in the Acquisition Agreement fail to be satisfied, the Acquisition may not complete and the Company may not acquire the issued share capital of Pearl. Further, if a party defaults in the performance of its contractual obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms. There can be no guarantee that the Acquisition will be completed.

(d) **Licensing risk**

Until such time as Pearl successfully exercises the option to purchase all of the issued share capital of Keshi under the Call Option Deed, the Company (via Pearl) will have no ownership rights in respect of the Intellectual Property, rather Pearl will (subject to the terms of the Licence Agreement) have the exclusive worldwide rights to use and exploit the Intellectual Property on the terms of the Licence Agreement. In order for Pearl (and thereby the Company) to be able to achieve its objectives in respect of the Licence Agreement, it will be reliant on Keshi complying with its contractual obligations under the Licence Agreement. Any non-compliance with the Licence Agreement or termination of the Licence Agreement could have an adverse impact on the financial position of Pearl (and thereby the Company). Where Keshi fails to comply with the Licence Agreement, Pearl may then need to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

Keshi has rights to terminate the Licence Agreement in certain circumstances, namely if Pearl breaches the Licence Agreement (including failing to pay amounts due under the Licence Agreement) or suffers an insolvency event. If the Licence Agreement is terminated, this will have a material adverse effect on Pearl's and the Company's operations.

**(e) Project commercialisation / Pearl business model**

The business model of Pearl is to seek to commercialise the licensing rights granted to it under the Licence Agreement in relation to the Project, which may never prove to be successful. The Company notes however that the implementation of this business model is subject to meeting the key milestones of obtaining the required regulatory approvals and then continuing to comply with the conditions of those approvals (which involves completing the emissions monitoring of its two TDUs in Queensland) and executing relevant offtake and supply contracts. The Project is in its development stage and there can be no guarantee that Pearl will be able to commercialise the licensing rights in relation to the Project.

**(f) Development phase of Project**

Assuming completion of the Acquisition, the Company can make no representation that any of Keshi's or Pearl's research into or development of the Project and the associated licensing rights will be successful, that key milestones to move the Project into its operational phase will be achieved or that the Project and the associated Intellectual Property can or will be developed into products and services that are exploitable at an ongoing commercial level having regard to market demand for such products and services.

There are many risks inherent in the development of recycling products and services, particularly where such projects are in their development stage, as is the case with the Project. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons. No assurance can be given that Pearl will achieve commercial viability through using or exploiting the Intellectual Property which is licensed to Pearl under the Licence Agreement.

The Company reiterates that the Project technology is in a development stage and given it has not been tested operationally over numerous years, the potential operational lifespan of a TDU is unclear. Until Pearl is able to realise value from the Intellectual Property licensed to it under the Licence Agreement, it is likely to incur ongoing operating losses. Achievement of Pearl's objectives will depend on Pearl's ability to successfully implement its growth strategy. Whilst the funds to be raised under the proposed Capital Raising are considered sufficient for the Company's immediate objectives, depending on Pearl's ability to generate income from its operations, Pearl may require further financing in addition to amounts raised under the Capital Raising.

**(g) Intellectual property rights**

Assuming completion of the Acquisition, a substantial part of the Company's commercial success will depend on Pearl's and Keshi's ability to protect their respective intellectual property (including without limitation, the Intellectual Property licensed to Pearl under the Licence Agreement) and commercially sensitive information assets relating to the Project, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Securing rights to technologies, and in particular intellectual property, through licensing or otherwise, is an integral part of securing potential product value in

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the outcome of the Project. The commercial value of these assets is also dependent on relevant legal protections in respect of them. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's (or Pearl's or Keshi's) competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which Keshi or Pearl (or entities which Keshi or Pearl deals with) may have an interest in now or in the future will afford Keshi or Pearl (as the case may be) commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications. It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against Keshi or Pearl under copyright, trade secret, patent, or other laws. While Pearl is not aware of any claims of this nature in relation to any of the Intellectual Property rights which are the subject of the Licence Agreement, such claims, if made, may harm, directly or indirectly, Pearl's (and, in turn, the Company's) business. If Keshi or Pearl is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in Keshi's or Pearl's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations. No formal valuation has been undertaken of the intellectual property assets of Keshi or Pearl (including without limitation the Intellectual Property licensed to Pearl under the Licence Agreement). The Company makes no representation as to the value of these assets. Although the Company (and Pearl) will implement all reasonable endeavours to protect its interests in the Intellectual Property licensed to Pearl under the Licence Agreement, there can be no assurance that these measures have been, or will be sufficient. To enhance the protection of the Intellectual Property, Keshi has submitted an Australian Provisional Patent Application (No. 2016905092) for the Process for the thermal degradation of rubber containing waste. However there can be no guarantee that this patent will be granted.

(h) **Further technology risks**

Assuming completion of the Acquisition, the Company will be reliant on its ability to develop and commercialise the Intellectual Property in relation to the Project. The global marketplace for most products and services is ever changing due to new technologies, new products, changes in preferences, changes in regulation and other factors influencing market acceptance or market rejection. This market volatility and risk exists despite the best endeavours of market research, promotion and sales and licensing campaigns. Accordingly, there is a risk that the Company (via Pearl) may not be able to successfully develop and commercialise the Intellectual Property licensed to it in relation to the Project, which could lead to a loss of opportunities and adversely impact on the Company's operating results and financial position. Further, the Project technology and Intellectual Property

(and the associated licencing rights) may be rendered obsolete by new inventions and technologies, which would adversely impact the Company.

(i) **Contract risk**

Assuming completion of the Acquisition, the Company may enter into agreements and undertakings with third parties from time to time (for example for the supply of offtake from the Project). If the Company is unable to satisfy the conditions of these agreements and undertakings, or if it defaults on its obligations under these agreements and undertakings, the Company's interest in their subject matter may be jeopardised. Further, if the third parties default on their obligations under the agreements and undertakings, the Company may be adversely affected.

(j) **Operational and technical risks**

Assuming completion of the Acquisition, the future operations of the Company may be affected by a range of operational and technical factors relating to the Project which may affect the commercialisation of the Intellectual Property licensed to Pearl in relation to the Project, including:

- (i) mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events; and
- (ii) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(k) **Environmental licence risks**

Pearl has been granted an Environmental Licence (L8982/2016/1) pursuant to the Environmental Protection Act 1986 (WA), Part V by the Government of Western Australia Department of Environment Regulation (**Environmental Licence**). The Environmental Licence commenced on 29 August 2016. On 19 July 2017, Pearl was granted an extension of the licence to 28 February 2018 so as to facilitate the time period in which the TDU which was previously located at the WA site could be decommissioned and transported to Pearl's Queensland site. Further Pearl has taken a conservative approach in maintaining the Western Australian licence until its Queensland environmental approval takes effect.

As noted in section 7 Pearl's operational focus going forward is in Queensland, and not Western Australia. Therefore, whilst Pearl has a current licence in Western Australia, in order to implement Pearl's business model, it is required to be appropriately licensed in Queensland. Pearl is currently in the process of obtaining the relevant licenses under the Queensland jurisdiction.

Please see Section 7.6 "Environmental approvals process" in relation to the current status of Pearl's licensing process in Queensland.

Assuming completion of the Acquisition, the Company (via Pearl) will be required to comply with the conditions of and maintain and renew all environmental licenses and also to acquire, maintain and renew any other relevant environmental licences in respect of the Project. It is possible that

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environmental licences can be cancelled (e.g. for non-compliance with conditions) and that applications and renewal applications for works approvals and environmental licences can be unsuccessful, in whole or in part. In the event that any works approval or environmental licence is cancelled or is applied for and is not granted, the Company (via Pearl) would not be able to continue operating at the relevant site which would likely have an adverse effect of the Company's prospects. The Company (via Pearl) will also be required to comply with all environmental laws and regulations in each foreign jurisdiction in which it will commercialise the Intellectual Property licensed to Pearl in relation to the Project. Any failure to do so could have an adverse effect on Pearl's potential international expansion plans.

(l) **Competition**

There is significant competition in the recycling technology industry generally. Pearl is aware of other potential competitors in the Australian and overseas tyre recycling industry, however from Pearl's research no known competitor operates a technology that focuses on a decentralisation model by the use of small TDUs and associated operating equipment that carries a relatively small emissions footprint. The Pearl model involves a relatively low cost fabrication design and has the potential to be located at or close to sources of shredded waste tyre feedstock as opposed to a centralised model where large scale plants requiring large volumes of waste tyre feedstock require those waste tyres to be transported to the processing plant. Typically, due to the relatively larger emissions footprint which may be associated with the larger centralised plants, such plants may not be able to be located in areas closer to sources of feedstock.

There is no assurance that the Company (via Pearl) will succeed in an effective or economic strategy of developing the Project pursuant to the Intellectual Property licensed to it under the Licence Agreement. Competitors' products and services may render the Project obsolete and/or otherwise uncompetitive. There is also no guarantee that the Project will ever produce any products which have the requisite demand at an ongoing commercial scale. The Company (via Pearl) may be unable to compete successfully against future competitors where aggressive policies are employed to capture market share. If the Company (via Pearl) is successful in developing the Project (which may never occur) such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect Pearl's and the Company's potential future business, operating results and financial position.

(m) **Risk of international operations generally**

Pearl may expand and commercialise the exclusive licensing rights to the Project overseas. International sales and operations are subject to a number of risks, including:

- (i) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
- (ii) potential difficulties in protecting intellectual property;
- (iii) increases in costs for transportation and shipping; and

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- (iv) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect Pearl's (and thereby the Company's) business, results of operations and financial condition. Possible sovereign risks associated with operating overseas include, without limitation, changes in the terms of legislation, changes to taxation rates and concessions and changes in the ability to enforce legal rights. Any of these factors may, in the future, adversely affect the financial performance of Pearl and thereby the market price of the Company's securities. No assurance can be given regarding the future stability in any other country in which Pearl and the Company may, in the future, have an interest.

(n) **Liquidity**

It is expected the 80,000,000 Consideration Shares to be issued to the Pearl Vendors (or their nominees) pursuant to the Acquisition (which will constitute approximately 60.7% of the undiluted issued share capital of the Company after completion of the Recapitalisation Proposal) will be classified by the ASX as restricted securities and be placed into escrow. Shareholders may consider that there is an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time. Further, after the end of the relevant escrow periods, a significant sale of then tradeable Shares (or the market perception that such a sale might occur) could have an adverse affect on the Company's Share price. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase.

(o) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company (including Pearl) will depend substantially on both companies' senior management and its key personnel. The success of the Acquisition will be partially dependent on the integration of Pearl's board and management with the existing Board and management of the Company. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these persons cease their employment.

(p) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus in relation to the Recapitalisation Proposal. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(q) **Future funding needs**

The funds proposed to be raised under the Capital Raising are considered sufficient to meet the current objectives of the Company on the basis that the Recapitalisation Proposal is implemented. Further funding may be required by the Company in the event costs exceed estimates or revenues do not meet estimates, to support its ongoing operations and implement its strategies. For example, funding may be needed to develop new and existing

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products, or acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Any inability to obtain sufficient financing for the Company's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of the Company.

### 8.3 General risks

#### (a) General economic climate

The Company's and Pearl's performance may be significantly affected by changes in economic conditions and particularly conditions which affect the manufacturing and construction industries. Pearl's business may be affected by some or all of the factors listed below:

- (i) future demand for tyre recycling products and services;
- (ii) general financial issues which may affect policies, exchange rates, inflation and interest rates;
- (iii) deterioration in economic conditions, possibly leading to reductions in consumer spending and other potential revenues which could be expected to have a corresponding adverse impact on the Company's operating and financial performance;
- (iv) the strength of the equity and share markets in Australia and throughout the world;
- (v) financial failure or default by any entity with which Pearl may become involved in a contractual relationship;
- (vi) industrial disputes in Australia and overseas;
- (vii) changes in investor sentiment toward particular market sectors;
- (viii) the demand for, and supply of, capital; and
- (ix) terrorism or other hostilities.

#### (b) Government policies and legislation

The tyre recycling industry may be affected by changes to government policies and legislation, including those relating to privacy, and taxation.

#### (c) Insurance

The Company, wherever practicable and economically advisable, will utilise insurance to mitigate business risks. Such insurance may not always be available or particular risks may fall outside the scope of insurance cover. In addition, there remains the risk that an insurer defaults in the payment of a legitimate claim by the Company.

#### (d) Political factors

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The Company may be affected by the impact that political factors have on the various world economies or the Australian economy or on financial markets and investments generally or specifically.

(e) **Litigation**

Litigation brought by third parties including but not limited to customers, partners, suppliers, business partners or employees could negatively impact the business in the case where the impact of such litigation is greater than or outside the scope of the Company's insurance.

(f) **Stock market conditions**

The market price of the Shares and New Options when quoted on the ASX may be influenced by international and domestic factors affecting conditions in equity and financial markets. These factors may affect the prices for the securities of companies quoted on the ASX, including the Company.

(g) **Other general risks**

Other general risks associated with investment in the Company may include:

- (i) fluctuation of the price at which the Company's shares trade due to market factors; and
- (ii) price volatility of the Company's shares in response to factors such as:
  - (i) additions or departures of key personnel;
  - (ii) litigation and legislative change;
  - (iii) press newspaper or other media reports; and
  - (iv) actual or anticipated variations in the Company's operating results.

(h) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the Company's financial performance and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market price or value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## 9 Material contracts

### 9.1 Acquisition Agreement for the Acquisition of Pearl

The Company has entered into a Acquisition Agreement with the Pearl Vendors to purchase 100% of the shares in Pearl in consideration for the issue of 80,000,000 Shares (on a post-Consolidation basis) (the **Consideration Shares**).

The Acquisition Agreement contains warranties and indemnities in favour of the Company consistent with usual market practice. The principal outstanding conditions precedent to completion of the Acquisition are:

- (a) the Company undertaking the Capital Raising;
- (b) the Company undertaking the Consolidation; and
- (c) receipt of conditional approval by ASX to reinstate the Company's securities to trading on ASX (after the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being to the reasonable satisfaction of the Company.

These conditions must be satisfied or waived in accordance with the Acquisition Agreement by no later than the date which is four months from the date of execution of the Acquisition Agreement (or such later date as may be agreed between the parties).

Completion must occur on the date falling five business days after the satisfaction or waiver of the last of the Conditions (or such other date as is agreed by the parties).

### 9.2 Licence Agreement and Call Option Deed

Pearl has entered into an exclusive licence agreement with Keshi) dated 23 June 2017 (**Licence Agreement**) pursuant to which Keshi agrees to provide Pearl a perpetual, non-transferable, exclusive licence to use and exploit:

- (a) application for patents (2016905092 relating to the process for the thermal degradation of rubber containing waste) and 2016905090 (relating to hermetically sealed flow through reactor for non-oxidative thermal degradation of a rubber containing waste) and any patents as added to in accordance with the provisions of the Licence Agreement including improvements and technical information in relation to such patents; and
- (b) the intellectual property rights, information, trade secrets, expertise and knowledge, information processes, techniques, discoveries, inventions and know-how: relating to the conversion of contaminated/toxic rubber waste streams into reusable secondary products including fuels, carbons, steel and gases, owned by or in the possession or under the control of the Licensor,

**(Intellectual Property)** for the purposes of manufacturing, operating and maintaining waste rubber treatment and reclamation plants.

Pearl has the right to grant sub-licences in respect of the Intellectual Property, provided that Pearl obtains the prior written consent of Keshi. As part of seeking this consent, Pearl must undertake appropriate and reasonable due diligence enquiries in relation to each proposed sub-licensee and provides the results of Pearl's due diligence enquiries to the Keshi. Keshi cannot unreasonably withhold its consent provided it is satisfied with

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the results of Pearl's due diligence enquires and provided it is satisfied that that the terms of the sub-licence give rise to entitlement to payment of any one or more of the royalties under the Licence Agreement.

In consideration for the use of the licensed patents and other technical information by Pearl, Pearl will pay the following royalties to Keshi:

- a) **Licensed product royalty:** \$600,000 (subject to CPI increase) per waste rubber and reclamation plant manufactured during the term of the Licence Agreement.
- b) **Annual royalty:** This royalty will be payable where Pearl receives income by means other than a one off basis from a particular sub-licensee. The royalty will be the greater of \$150,000 (as adjusted for CPI) and 25% of the income in respect of the particular sub-licence.
- c) **Non-recurring sub-licence royalty:** This royalty will be payable where Pearl receives income by means of a one off basis from a particular sub-licensee. The royalty will be the greater of \$150,000 (as adjusted for CPI) and 25% of the income in respect of the particular sub-licence.

Pearl must pay interest on any amount unpaid under the Licence Agreement at the Reserve Bank of Australia's current official cash rate plus 5%.

Each party provides representations, warranties and indemnities in favour of the other party which are considered to be on usual commercial terms.

The Licence Agreement can be terminated for breach by Keshi on 30 days written notice, where Pearl fails to remedy a breach within 30 days after Keshi gives it written notice of the breach, or where Pearl commits a breach which is not capable of remedy. The Licence Agreement can also be terminated where Pearl fails to pay any amount due under it on the due date for the payment and remains in default for at least 7 days after being notified in writing to make such payment. The Licence Agreement can immediately be terminated if Pearl suffers an insolvency event.

Pearl and each shareholder of Keshi have also entered into a call option deed on 30 June 2017 (**Call Option Deed**) under which each Keshi shareholder grants Pearl an option to acquire its shares in Keshi in consideration for the issue of "B Class" shares in Pearl.

The option can be exercised by Pearl at any time in the 15 year period commencing on the date of the Call Option Deed. The exercise of the option is subject to any shareholder approvals required by Pearl or its related bodies corporate (including the Company). The exercise of the option is also subject to the Keshi shareholders agreeing (or an independent expert determining) that Pearl's financial standing is sufficient for it to be able to pay dividends with respect to the B Class shares in accordance with their terms.

On exercise of the option, Pearl grants a Security Interest in the Keshi shares to the Keshi shareholders as security for Pearl's obligations in respect of the payment of dividends under the B Class shares.

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The B Class shares in Pearl will carry the following rights:

- a) **Dividends:** the dividends under the B Class shares will be equivalent to the royalty entitlements of Keshi under the Licence Agreement (proportionately divided between the B Class shareholders).
- b) **Voting rights:** The B Class shares carry no voting rights except if an approval of the B Class shareholders is required under Part 2J.1 of the Corporations Act and on a proposal affecting the rights attaching to the B Class shares.
- c) **Capital:** If there is a return of capital on the winding up of Pearl, the holders of the B Class Shares will be entitled to receive out of the assets of Pearl available for distribution to holders of shares, in respect of the B Class Shares, a cash payment equal to \$1 per share for those B Class Shares, before any return of capital is made to holders of any other class of shares in Pearl.

The Licence Agreement and the Call Option Deed are governed by the laws of Western Australia.

Keshi is not a related party of Citation for the purposes of Chapter 2E of the Corporations Act. It is noted however that:

- d) Gary Foster is a proposed director of the Company and is a current director of both Pearl and Keshi. His associate, Bretnall Custodians Pty Limited (ACN 091 315 516) as trustee for the Foster Family Trust, holds 27.47% of the total issued share capital in Keshi.
- e) Andrew Drennan is a proposed director of the Company and is a current director of both Pearl and Keshi. Andrew Michael Drennan as trustee for the Drennan Family Trust and holds 20.05% of the total issued share capital in Keshi.
- f) Victor Turco is a current director of the Company. A trust controlled by his wife (Greenlink Pty Ltd (ACN 604 799 439) as trustee for the Debsago Trust) holds 0.5% of the total issued share capital in Keshi.

### 9.3 Lead Manager Mandate

Pursuant to an agreement between the Company and Cadmon dated 19 June 2017 (**Commencement Date**) (**Lead Manager Mandate**), the Company appoints Cadmon as Lead Manager in connection with the Public Offer (incorporating the Priority Offer).

In consideration for the provision of Public Offer management, marketing, selling and distribution services by Cadmon under the Lead Manager Mandate, the Company agrees to pay Cadmon the following fees in connection with its role as Lead Manager:

- a) a monthly retainer of \$7,000 plus GST (note, this monthly retainer will be paid by the Company on the successful completion of the Recapitalisation Proposal, and until this time, is being paid by Pearl pursuant to the Cadmon Mandate (Pearl) (see below));

- (b) 6.00% (plus GST) of the Gross Proceeds (being the amount equal to the total number of securities in the Company issued and/or sold in connection with the Public Offer multiplied by \$0.20); and
- (c) Up to 36 million New Options at a subscription price of \$0.0001 each, and exercisable on the terms specified in Section 6.1 to be distributed to Cadmon (and/or its nominees, being external brokers, advisers, and commercial partners (or their nominees) who are assisting with the Recapitalisation Proposal) (**Broker Options**) provided that:
- (i) Cadmon receives no less than 15 million of these Broker Options; and
  - (ii) The Company agrees to issue an Appendix 3B on the exercise of any of the Broker Options.

Under the Lead Manager Mandate, the Company indemnifies Cadmon and its associates and related parties, agents and staff against all losses incurred by them in connection with the Lead Manager Mandate or the Public Offer. The Company also makes representations and warranties in favour of Cadmon under the Lead Manager Mandate which are considered to be standard for an agreement of this nature.

The Lead Manager Mandate continues for a period of 12 months, unless it is terminated earlier. The Lead Manager Mandate may be terminated by the Company without cause provided that notification in relation to such termination is at least 6 months after the Commencement Date. The Lead Manager Mandate may also be terminated by the Company in the event of default by Cadmon. Cadmon may terminate the Lead Manager Mandate at any time prior to the issue of Shares under the Public Offer in a number of circumstances which are considered to be on standard commercial terms.

The Company agrees to offer Cadmon the lead role in any further equity capital raisings undertaken in connection with the Company within the term of the Lead Manager Mandate, subject to agreeing terms in respect of pricing, fees and timing.

#### 9.4 Cadmon Mandate (Pearl)

Pearl entered into a mandate agreement with Cadmon on 5 January 2017 (**Cadmon Mandate (Pearl)**).

The Lead Manager Mandate suspends all obligations of the parties under the Cadmon Mandate (Pearl), with the exception of the payment of the monthly retainer by Pearl to Cadmon on the basis of \$7,000 per month. This monthly retainer is being paid by Pearl until the completion of the Recapitalisation Proposal at which time it will become the responsibility of Citation.

If the Public Offer does not complete or if the Lead Manager Mandate is terminated, all of the suspended obligations of the parties under the Cadmon Mandate (Pearl) are reinstated. Citation has no obligation under the Cadmon Mandate (Pearl) in this event.

#### 9.5 DOCA

Pursuant to the resolution at a meeting of Creditors on 9 February 2017 held under section 439A(1) of the Corporations Act, the Company, the Administrators and the

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Proponents executed the DOCA on 27 February 2017 and the Administrators became the administrators of the DOCA (the **Deed Administrators**).

The DOCA approved by the Creditors provides for (amongst other things) the following:

- (a) The establishment by the Deed Administrators of four Creditors' Trusts into which the following moneys (**Funds**) are to be paid to satisfy the admitted Claims of Creditors:
- (i) \$127,880 into the Ordinary Unsecured Creditors' Trust;
  - (ii) \$2,000,000 into the Landau Creditors' Trust;
  - (iii) \$50,000 into the Shareholder Creditors' Trust; and
  - (iv) a sum equal to any admitted Trust Creditors' Claims into the Trust Creditors' Trust,
- within two business days of the satisfaction of the following conditions (which can be waived by the Deed Administrators):
- (v) execution of the Creditors' Trust Deeds. This occurred on 21 February 2017;
  - (vi) within 14 days of execution of the DOCA the Deed Administrators receiving approval from the shareholders of Pearl to enter into the DOCA including the Recapitalisation Proposal. This approval was received on 21 February 2017;
  - (vii) within 45 days of execution of the DOCA Keshi and Pearl entering into the New Licence Agreement (note that this condition was not met as the Licence Agreement was executed more than 45 days after the execution of the DOCA and the Deed Administrators are in the process of formally documenting a waiver to this condition);
  - (viii) the Deed Administrators being satisfied that the requirements of the Landau Settlement Deed have been met;
- (b) It is a condition subsequent of the DOCA that the Deed Administrators are to cause the Company to implement the Recapitalisation Proposal.
- (c) The DOCA provides that the payment of the Administrators', the Deed Administrators' and the trustees' remuneration will be from the assets of the Company.
- (d) If in the opinion of the Deed Administrators the Recapitalisation Proposal is not implemented and will not be implemented, then, immediately prior to the termination of the DOCA, all of the remaining assets of the Company will be paid into the Shareholder Creditors' Trust to satisfy the Claims of the Shareholder Creditors admitted by the Deed Administrators.

On 23 May 2017, a deed of variation was signed in respect of the DOCA, under which the Company's creditors authorised the Deed Administrators to enter into the Pearl Loan Agreement.

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Upon effectuation of the DOCA, or at any other earlier time, the Deed Administrators may return the control of the Company to its directors then in office and will have no further responsibilities as Deed Administrators.

## 9.6 Creditors' Trust Deeds

It is a condition precedent of the DOCA that the Company and the trustees of each Creditors' Trust execute the Creditors' Trust Deeds. This occurred on 21 February 2017.

The DOCA provides that:

- (a) two business days of the relevant conditions set out in the DOCA, the Funds are to be paid to the trustees pursuant to the Creditors' Trust Deeds and the trustees shall hold the Funds pursuant to the terms of the Creditors' Trust Deeds.
- (b) upon the payment of the Funds to the trustees, all Claims against the Company are discharged and extinguished and substituted for the rights pursuant to the applicable Creditors' Trust Deeds (save and except for the Claims of the admitted Shareholder Creditors which are discharged and extinguished upon effectuation of the DOCA).

Subject to the completion of the Recapitalisation Proposal, the only moneys available for distribution to Creditors are the Funds, to be distributed according to the order of priority set out in the DOCA.

Creditors' Claims must be proved against the applicable Creditors' Trust. The DOCA and the Creditors' Trust Deeds may be pleaded by the Company against any Creditor in bar of any debt or Claim admissible under the DOCA.

## 9.7 Loan to Pearl

On 10 May 2017, the Company entered into a loan agreement (**Pearl Loan Agreement**) under which, subject to:

- (a) the passing of the Recapitalisation Resolutions at the General Meeting (this occurred on 30 June 2017); and
- (b) the Company's creditors agreeing to a variation of the DOCA so as to accommodate the provision of the loan to Pearl (this occurred on 23 May 2017),

the Company will provide financial accommodation to Pearl by way of an unsecured loan prior to the completion of the Acquisition on the following key terms (**Pearl Preliminary Funding**):

- (c) **Principal amount:** The Company will make available to Pearl an unsecured term loan, having a principal limit of \$1,000,000 (Facility) to be applied by Pearl to further its business.
- (d) **Term and repayment:** The Facility must be drawn as a single draw, and must be repaid (together with accrued interest) on the "Termination Date" which is defined to mean:

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- (i) 5 months from the date of first drawdown, if ASX does not approve the Company's application to have its Securities reinstated to quotation on the ASX or the Acquisition Agreement is terminated in accordance with its terms; and
- (ii) in all other circumstances, the Facility will be available for such period as is agreed by the boards of Pearl and the Company,

The amount outstanding is also subject to earlier repayment where the Facility is or becomes illegal to be provided to Pearl, or where an event of default (as defined in the Pearl Loan Agreement) occurs.

- (e) **Interest:** Interest accrues at the rate of 10% per annum on any amount advanced to Pearl under the Facility, but is capitalised and payable in full on the 'Termination Date'.

The Facility was advanced on 30 June 2017.

The Pearl Loan Agreement contains undertakings, warranties and representations by Pearl in favour of the Company.

## 9.8 Employment Contracts – Executive Directors

Gary Foster and Andrew Drennan are appointed as directors of the Company subject to the completion of the Acquisition. The terms of each of the employment contracts are as below.

### **Gary Foster**

- (a) **Position:** Gary will be employed as an Executive Director of the Company on a full time basis.
- (b) **Term:** The services contract will commence on the completion of the Acquisition and will continue for 5 years (unless terminated earlier in accordance with the terms of the services contract).
- (c) **Sign on fee:** Gary is entitled to a sign on fee of \$150,000 on the execution of the services contract and subject to him remaining employed by the Company on the first anniversary of the contract commencement, he will be entitled to a further payment of \$150,000 (which payment may either be made in cash or in shares in the Company at the last capital raising price, at Gary's option). In exchange for the sign on fees, Gary agrees to remain employed with the Company for the duration of the term, unless his employment is terminated earlier in accordance with the terms of the services contract.
- (d) **Remuneration:** The Company will pay Gary an annual salary of \$300,000 inclusive of superannuation.
- (e) **Incentive plans:** Gary will be entitled to further short term incentives, medium term incentives and long term incentives, provided he is able to achieve key performance targets as specified with respect to each of those plans in the services contract.
- (f) **Short term incentive plan (STI):** The maximum STI amount payable to Gary from the commencement of the services contract to its first anniversary is \$300,000. The following KPIs must be met in order for Gary to have an entitlement under the STI payment:

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- (i) the Queensland site must be fully operational with 2 TDUs in place, treating in excess of 10 tonnes of waste rubber per day and being operational for a period of 60 days with a capacity to treat 10 tonnes of waste rubber per day (this will entitle Gary to 40% of the STI payment in accordance with the terms of the services contract);
- (ii) the Queensland site must have all appropriate environmental licenses in place (this will entitle Gary to 30% of the STI payment in accordance with the terms of the services contract); and
- (iii) the Queensland site must have suitable offtake agreements in place (as determined by the Board) (this will entitle Gary to 30% of the STI payment in accordance with the terms of the services contract).
- (g) **Medium term incentive plan (MTI):** The maximum MTI amount payable to Gary from the commencement of the services contract to its third anniversary is \$450,000. The following KPIs must be met in order for Gary to have an entitlement under the MTI payment:
- (i) Securing a long term contract or agreement (exceeding 5 years) for feedstock in excess of 50,000 tonnes per annum (this will entitle Gary to 50% of the MTI payment in accordance with the terms of the services contract);
- (ii) Successfully operating in a further 4 locations with each location operating a minimum of 2 TDUs (which TDUs must be commercially operating prior to the third anniversary of the commencement of the services contract) (this will entitle Gary to 50% of the MTI payment in accordance with the terms of the services contract).

Additionally subject to the satisfaction of the above KPIs, the Board may (subject to obtaining relevant shareholder approvals) grant Gary participating rights in a Medium Term Incentive management Option Pool.

- (h) **Long term incentive plan (LTI):** After the first 12 month anniversary of successful operations as determined by the Board, Gary will be entitled to receive payment equivalent to a production fee of 1 cent per kilogram of feedstock processed from the TDU for the remaining period of Gary's employment with Citation.
- (i) **Leave:** Gary will be entitled to leave benefits, including annual leave, personal leave, compassionate leave and long service leave.
- (j) **Termination:** The services contract may be terminated prior to the expiry of the term as follows:
- (i) The Company may terminate for convenience and without cause by giving Gary 6 months notice.
- (ii) The Company may terminate where Gary commits an act of misconduct, commits a serious or persistent breach of the services contract, commits an act of bankruptcy, is charged with an indictable criminal offence, or otherwise becomes mentally unfit or is declared an infirm person.

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- (iii) The parties may mutually agree in writing to terminate the contract without notice.
  - (iv) The Company may terminate without notice where Gary is absent from work for two or more Business Days without notice or explanation, or otherwise is no longer able to fulfil the inherent requirements of the position.
- (k) **Restraint:** Gary is subject to a restraint of trade for a period of 6 months commencing immediately after the termination of his employment.

**Andrew Drennan**

- (l) **Position:** Andrew will be employed as an Executive Director of the Company on a full time basis.
- (m) **Term:** The services contract will commence on the completion of the Acquisition and will continue for 5 years (unless terminated earlier in accordance with the terms of the services contract).
- (n) **Sign on fee:** Andrew is entitled to a sign on fee of \$150,000 on the execution of the services contract and subject to him remaining employed by the Company on the first anniversary of the contract commencement, he will be entitled to a further payment of \$150,000 (which payment may either be made in cash or in shares in the Company at the last capital raising price, at Andrew's option). In exchange for the sign on fees, Andrew agrees to remain employed with the Company for the duration of the term, unless his employment is terminated earlier in accordance with the terms of the services contract.
- (o) **Remuneration:** The Company will pay Andrew an annual salary of \$300,000 inclusive of superannuation.
- (p) **Incentive plans:** Andrew will be entitled to further short term incentives, medium term incentives and long term incentives, provided he is able to achieve key performance targets as specified with respect to each of those plans in the services contract.
- (q) **Short term incentive plan (STI):** The maximum STI amount payable to Andrew from the commencement of the services contract to its first anniversary is \$300,000. The following KPIs must be met in order for Andrew to have an entitlement under the STI payment:
  - (i) the Queensland site must be fully operational with 2 TDUs in place, treating in excess of 10 tonnes of waste rubber per day and being operational for a period of 60 days with a capacity to treat 10 tonnes of waste rubber per day (this will entitle Andrew to 40% of the STI payment in accordance with the terms of the services contract);
  - (ii) the Queensland site must have all appropriate environmental licenses in place (this will entitle Andrew to 30% of the STI payment in accordance with the terms of the services contract); and
  - (iii) the Queensland site must have suitable offtake agreements in place (as determined by the Board) (this will entitle Andrew to 30%

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of the STI payment in accordance with the terms of the services contract).

- (r) **Medium term incentive plan (MTI):** The maximum MTI amount payable to Andrew from the commencement of the services contract to its 3 year anniversary is \$450,000. The following KPIs must be met in order for Andrew to have an entitlement under the MTI payment:

- (i) Securing a long term contract or agreement (exceeding 5 years) for feedstock in excess of 50,000 tonnes per annum (this will entitle Andrew to 50% of the MTI payment in accordance with the terms of the services contract);
- (ii) Successfully operating in a further 4 locations with each location operating a minimum of 2 TDUs (which TDUs must be commercially operating prior to the third anniversary of the commencement of the service's contract) (this will entitle Andrew to 50% of the MTI payment in accordance with the terms of the services contract).

Additionally subject to the satisfaction of the above KPIs, the Board may (subject to obtaining relevant shareholder approvals) grant Andrew participating rights in a Medium Term Incentive management Option Pool.

- (s) **Long term incentive plan (LTI):** After the first 12 month anniversary of successful operations as determined by the Board, Andrew will be entitled to receive payment equivalent to a production fee of 1 cent per kilogram of feedstock processed from the TDU for the remaining period of Andrew's employment with Citation.
- (t) **Leave:** Andrew will be entitled to leave benefits, including annual leave, personal leave, compassionate leave and long service leave.
- (u) **Termination:** The services contract may be terminated prior to the expiry of the term as follows:
- (i) The Company may terminate for convenience and without cause by giving Andrew 6 months notice.
  - (ii) The Company may terminate where Andrew commits an act of misconduct, commits a serious or persistent breach of the services contract, commits an act of bankruptcy, is charged with an indictable criminal offence, or otherwise becomes mentally unfit or is declared an infirm person.
  - (iii) The parties may mutually agree in writing to terminate the contract without notice.
  - (iv) The Company may terminate without notice where Andrew is absent from work for two or more Business Days without notice or explanation, or otherwise is no longer able to fulfil the inherent requirements of the position.
- (v) **Restraint:** Andrew is subject to a restraint of trade for a period of 6 months commencing immediately after the termination of his employment.

Neither Gary Foster nor Andrew Drennan has met the KPI's in relation to the STI payments under each of their respective engagements as at the date of this Prospectus.

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At this stage, it is not possible to predict with certainty as to when the KPIs will be achieved. The Company considers that the proposed remuneration of Mr Foster and Mr Drennan is reasonable for the purposes of section 211 of the Corporations Act.

## 9.9 Convertible Notes

Pearl has issued an aggregate principal amount of \$2,995,000 of convertible notes to the Pearl Noteholders (**Pearl Convertible Notes**).

The Pearl Convertible Notes are not interest bearing.

The terms of the Pearl Convertible Notes provide that (amongst other conversion events), on the receipt of confirmation from the ASX that the Company's securities will be reinstated to quotation on conditions acceptable to the Company (acting reasonably), the Pearl Convertible Notes will automatically convert into Shares with attaching New Options.

Upon conversion, the Company will issue:

- (i) such number of Shares (on a post-Consolidation basis) as is calculated in accordance with the following formula:

$$\frac{A}{\$0.16},$$

where:

'A' equals the aggregate amount of principal payable to the Pearl Noteholders in respect of their holdings of Pearl Convertible Notes. If this formula results in an entitlement to a number of Shares which includes a fraction of a Share, the fraction will be rounded down; and

- (ii) such number of New Options (on a post-Consolidation basis) as is calculated in accordance with the following formula:

$$\frac{A}{3 \times \$0.16},$$

where:

'A' has the meaning given above. If this formula results in an entitlement to a number of New Options which includes a fraction of a New Option, the fraction will be rounded down.

## 9.10 Commercial Property Lease - Mogumber, WA

TRR (a wholly owned subsidiary of Pearl) entered into a commercial property lease with the Paul Drennan (**Landlord**), for the premises located at 344 Mogumber-Yarawindah Road, Mogumber, Western Australia (**Premises**).

The Landlord is Andrew Drennan's brother. Andrew Drennan is a proposed director of the Company.

TRR is permitted to use the Premises for the express purpose of rubber recycling as per the Department of Environmental Regulation Licence granted to Pearl.

TRR agrees to pay the prescribed weekly rent of \$500 in equal fortnightly instalments.

The term of the lease commences on 1 July 2014 and remained in force until 31 December 2016. TRR was given an option to renew the lease, and was eligible to do

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so between 1 September 2016 and 31 December 2016. The parties have agreed to extend the term of the lease until 30 June 2017 at a revised weekly rent of \$750. The parties have agreed to further extend the lease to 15 February 2018. All other terms of the lease remain the same.

In addition to the prescribed rent, TRR agrees to pay for their proportion of outgoings, along with utilities and the connection of services supplied in their name. TRR also agrees to comply and obtain all approvals, licences and consents required to carry on the proposed business.

TRR is responsible to the Landlord for the acts or omissions of any of its employees, agents or persons they allow on to the Premises.

TRR indemnifies and releases the Landlord against all claims, demands, losses, damages and expenses including legal actions that the Landlord may sustain:

- a) in respect of any negligence by TRR or its employees,
- b) TRR's failure to give notice of service defects,
- c) damage to any person or property caused or contributed to by TRR, its employees or any person who is permitted on to the Premises by TRR or any person who TRR is responsible for,
- d) from anything TRR is permitted or required to do under the lease (unless the claim arises from the gross negligence of the Landlord or its employees or contractors).

#### **9.11 Lease between Nebrean Pty Ltd and Pearl - Building 20 at 63 Burnside Road, Stapylton, Queensland**

Pearl has entered into a lease with Nebrean Pty Ltd (**Nebrean**) for a 3 year period from 1 December 2016 until 30 November 2019 for an annual rent of \$292,125 plus GST in respect of Building 20 at 63 Burnside Road, Stapylton, Queensland (**Premises**) for the permitted use of warehousing, distribution, administration and other associated activities (**Permitted Use**).

At the expiry date, Nebrean will offer Pearl an option to renew for a further period of 5 years, provided Pearl gives not less than 3 months notice before the term expires and is not in breach of any essential term of the lease agreement (**Renewed Lease**). The Renewed Lease must be on the same terms.

Pearl, as tenant, has various standard obligations under the lease including without limitation, to obtain and maintain all permits or consents required from any government authority to carry on the Permitted Use, comply with all reasonable directions from the landlord, and pay for all services to the Premises.

Pearl is also required to apply to the Council of the City of Gold Coast for a development approval for the Permitted Use as well a material change of use in respect of the activities on the Premises. Pearl has applied to the Council of the City of Gold Coast for a development approval and material change of use approval in respect of the Premises in respect of its tyre recycling operations. On 13 July 2017, Pearl received the draft development approval terms from the Council of the City of Gold Coast in respect of the Queensland site. Pearl is in the process of finalising the draft terms with the Council of the City of Gold Coast. Pearl is not proposing any substantive changes to these draft approval terms.

The lease is subject to a change of control clause, where any change in the principal shareholding or composition of the board of directors altering the effective control or

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control of one third or greater of the shares of Pearl or the board constitutes an assignment for the purposes of the lease, and requires the consent of Nebrean. Nebrean has provided this consent.

Pearl is in the process of negotiating a sub-lease of this lease with another party who is involved in the manufacture of the TDUs.

#### 9.12 **Agreements with Directors and related parties**

In addition to the material contracts discussed above, the Company is also a party to the agreements further described in Section 11.3 (Agreements with Directors and related parties).

## 10 **Financial Information and Investigating Accountant's Report**

### 10.1 **Introduction**

The financial information set out in this Section 10 contains the following financial information in relation to both Citation and Pearl, prepared by the Directors:

- (a) Summary audited and reviewed consolidated historical statement of profit or loss and other comprehensive income for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Citation;
- (b) Summary audited and reviewed consolidated historical statement of profit or loss and other comprehensive income for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Pearl;
- (c) Summary audited and reviewed consolidated historical statement of cash flows for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Citation;
- (d) Summary audited and reviewed consolidated historical statement of cash flows for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Pearl; and
- (e) Reviewed historical statutory and pro forma consolidated historical statement of financial positions as at 31 December 2016 for Citation,

together the **Historical Financial Information**.

The information set out in this Section should be read together with:

- (f) Management's discussion & analysis set out in this section under Section 10.5;
- (g) The risk factors described in Section 8;
- (h) The Sources and Uses of Funds described in Section 6.3;
- (i) The indicative capital structure described in Section 6.4;
- (j) The Independent Limited Assurance Report on the Historical and Pro Forma Financial Information set out in this Section 10; and
- (k) The other information contained in this Prospectus.

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All amounts disclosed in this section are presented in AUD, unless otherwise noted, and are rounded to the nearest \$'000.

In addition, investors should be aware that past performance is not an indication of future performance.

## 10.2 Basis of preparation of the Historical Financial Information

The Historical Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations).

The significant accounting policies of both Citation and Pearl relevant to the Historical Financial Information are noted in **Annexure C** to this Prospectus. The accounting policies of Citation and Pearl have been consistently applied throughout the periods presented.

The Historical Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporation Act.

The Historical Financial Information has been prepared for the purpose of the Offers.

The Historical Financial Information has been derived from both Citation's and Pearl's audited financial statements for FY2015 and FY2016 and reviewed financial statements for HY2017.

The financial statements for Citation were prepared in Australian dollars and in accordance with the Australian International Financial Reporting Standards (**AIFRS**) and were audited in FY2015 and FY2016 by Grant Thornton Audit Pty Ltd who issued a disclaimed audit opinion in each of these periods. The basis of this disclaimer related to the inability to obtain sufficient and appropriate audit evidence on the books and records of the subsidiary, Latin American Resources Limited, and the basis of accounting of the consolidated entity. Grant Thornton Audit Pty Ltd has reviewed the financial statements for HY2017 for Citation and issued a qualified review report on the basis of the comparative balances in respect of 31 December 2015 being qualified and with an emphasis of matter regarding the ability to continue as a going concern.

The financial statements for Pearl were prepared in Australian dollars and in accordance with AIFRS and were audited in FY2015 and FY2016 by Grant Thornton Audit Pty Ltd. Grant Thornton Audit Pty Ltd issued a qualified audit opinion in FY2015 regarding opening balances in June 2014 and with an emphasis of matter regarding the ability to continue as a going concern and an unqualified audit opinion in FY2016 with a material uncertainty regarding the ability to continue as a going concern. Grant Thornton Audit Pty Ltd has reviewed the financial statements for HY2017 for Pearl and issued an unqualified review conclusion with an emphasis of matter regarding the ability to continue as a going concern.

## 10.3 Non IFRS financial measures

Investors should be aware that certain financial data included in this Section 10 is "non IFRS financial information" under *Regulatory Guide 230: "Disclosing non IFRS financial information"* published by ASIC. The Directors of Citation believe that this non IFRS financial information provides useful information to users in measuring the financial performance and conditions of Citation and Pearl. As non IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning.

Therefore, the way in which Citation and Pearl calculate these measures may be different to the way other companies calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non IFRS financial information and ratios.

In particular the following non IFRS financial data is included:

- (a) NLBT which means net loss before tax; and
- (b) NLPAT which means net loss after tax attributable to shareholders.

#### 10.4 General factors affecting the operating results of Citation and Pearl

Below is a discussion of the main factors which affected Citation and Pearl's operations and relative financial performance in FY2015, FY2016 and HY2017 which Citation and Pearl expect may continue to affect it in the future. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected Citation and Pearl's historical operating and financial performance, nor everything which may affect Citation's and Pearl's operations and financial performance in the future.

#### 10.5 Management discussion and analysis of the Historical Financial Information

##### *Citation*

The table below presents the statutory consolidated historical statement of profit or loss and other comprehensive income for FY2015, FY2016 and HY2017 and other non IFRS financial disclosures.

\$'000 June year end	Audited	Audited	Reviewed
	FY2015	FY2016	HY2017
Other income	16	435	-
Accounting and audit fees	(45)	(70)	-
Professional and consultancy fees	(385)	(780)	(389)
Directors fees	(180)	(134)	(18)
Depreciation expense	(1)	-	-
Regulatory expenses	(76)	(87)	(32)
Impairment (exploration assets and associate)	-	(5,349)	-
Amortisation and fair value movement of embedded derivative	(854)	-	-
Loss on conversion of loan	(310)	(478)	-
Borrowing costs	(177)	(20)	-
Administrative expenses	(250)	(874)	(25)
<b>NLBT</b>	<b>(2,262)</b>	<b>(7,357)</b>	<b>(464)</b>
Income tax benefit	-	-	-
<b>NLAT</b>	<b>(2,262)</b>	<b>(7,357)</b>	<b>(464)</b>
Loss on discontinued operations	(17,900)	(6,520)	-
Foreign currency translation	3,275	-	-
<b>Total comprehensive loss for the period</b>	<b>(16,887)</b>	<b>(13,877)</b>	<b>(464)</b>

The consolidated historical statement of profit or loss and other comprehensive income have been extracted from the audited financial statements of Citation for FY2015 and FY2016 and reviewed financial statements of Citation for HY2017.

This Replacement Prospectus is dated 21 August 2017 and replaces the Original Prospectus dated 10 July 2017 relating to securities in Citation Resources Limited (Subject to Deed of Company Arrangement)

### Other income

Other income recorded in FY2016 amounting to \$0.45 million relates to debt forgiveness of creditors approved in conjunction with the DOCA.

### Expenses

In August 2016, Citation was placed into voluntary administration. The administrators have approved a DOCA to recapitalise Citation, acquire 100% of Pearl and settle creditors of the DOCA.

Professional and consultancy fees in FY2016 relate to professional service firm fees relating to the voluntary administration (48%) and corporate consultancy (52%) costs incurred during the period.

Impairment in FY2016 of \$5.3 million was due to the write off of previously capitalised exploration, evaluation and development expenditure and the value of the Pearl investment.

Administrative expenses in FY2016 included primarily travel (16.8%), marketing (3.8%), insurance (2.5%), rent (1.9%) and other expenses (75%). The increase in costs in FY2016 was due to increases in corporate costs in relation to the administrator fees.

The table below presents the statutory consolidated historical statement of cash flows for FY2015, FY2016 and HY2017.

\$'000	Audited FY2015	Audited FY2016	Reviewed HY2017
<b>June year end</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	3,214	-	-
Payments to suppliers and employees	(5,694)	(2,875)	(402)
Interest received	17	4	-
Interest expenses	(1)	-	-
<b>Net cash outflow from operating activities</b>	<b>(2,464)</b>	<b>(2,871)</b>	<b>(402)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for exploration and evaluation expenditure	(2,125)	-	-
Payments for investment in associate	-	(3,000)	-
<b>Net cash outflow from investing activities</b>	<b>(2,125)</b>	<b>(3,000)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of shares/share options	980	5,984	-
Share/share options issue costs	(67)	(397)	-
Funds held in trust	649	1,151	-
Repayment of borrowings	-	(860)	-
Proceeds from borrowings	1,539	-	-
<b>Net cash inflow from financing activities</b>	<b>3,101</b>	<b>5,878</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,488)</b>	<b>7</b>	<b>(402)</b>
Cash and cash equivalents at the beginning of the period	2,107	619	626
<b>Cash and cash equivalents at the end of the period</b>	<b>619</b>	<b>626</b>	<b>224</b>

*The consolidated historical statement of cash flows has been extracted from the audited financial statements of Citation for FY2015 and FY2016 and reviewed financial statements of Citation for HY2017.*

**This Replacement Prospectus is dated 21 August 2017 and replaces the Original Prospectus dated 10 July 2017 relating to securities in Citation Resources Limited (Subject to Deed of Company Arrangement)**

### **Operating and financing cash flows**

Citation has continued to incur corporate operating costs over FY2015, FY2016 and HY2017 (**Historical Period**), with no offsetting operational revenue, which has resulted in operating cash out flows as activities have been wound down.

In FY2016, Citation divested its mining interests and acquired a 40% interest in Pearl, for a \$3 million cash consideration and issued shares with a fair value of approximately \$4 million which was a non cash transaction.

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**Pearl**

The table below presents the statutory historical statement of profit or loss and other comprehensive income for FY2015, FY2016 and HY2017 and other non IFRS financial disclosures.

<b>\$'000</b>	<b>Audited</b>	<b>Audited</b>	<b>Reviewed</b>
	<b>FY2015</b>	<b>FY2016</b>	<b>HY2017</b>
<b>June year end</b>			
Revenue	38	-	4
Other income	20	3,326	7
Research and development costs	(1,606)	(1,767)	(1,229)
Amortisation of intangible asset	-	(139)	(102)
<b>NLBT</b>	<b>(1,548)</b>	<b>1,420</b>	<b>(1,320)</b>
Income tax benefit	492	977	-
<b>NLAT</b>	<b>(1,056)</b>	<b>2,397</b>	<b>(1,320)</b>
Other comprehensive income	27	-	-
<b>Total comprehensive loss for the period</b>	<b>(1,029)</b>	<b>2,397</b>	<b>(1,320)</b>

*The consolidated historical statement of profit or loss and other comprehensive income have been extracted from the audited financial statements of Pearl for FY2015 and FY2016 and reviewed financial statements of Pearl for HY2017.*

**Revenue**

Other income recorded in FY2016 amounting to \$3.3 million related to the funds received as a capital injection from Citation.

**Expenses**

Research and development costs in FY2016 are comprised of the following costs, accountancy fees (5.8%), professional and consultancy expenses (27.4%), legal costs (2.9%), travel expenses (9.3%), administrative expenses (7.6%) and other operating expenses (47%).

Research and development costs in HY2017 are expected to increase on a full 12 month extrapolated basis due to company increasing the level of research and development in conjunction with the increased output of production of the Thermal Desorption Units (TDUs).

The table below presents the statutory historical statement of cash flows in FY2015, FY2016 and HY2017.

	Audited	Audited	Reviewed
\$'000			
June year end	FY2015	FY2016	HY2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	-	351	5
Payments to suppliers and employees	(842)	(1,757)	(1,153)
Tax refund from research and development	-	492	976
Interest received	20	26	-
<b>Net cash outflow from operating activities</b>	<b>(822)</b>	<b>(888)</b>	<b>(172)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(1,027)	(1,096)	(516)
Payment in exchange of the right to use the IP for the tyre recycling technology	-	(1,000)	-
<b>Net cash outflow from investing activities</b>	<b>(1,027)</b>	<b>(2,096)</b>	<b>(516)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of shares	1,015	1,710	-
Funds received from Citation	-	3,000	-
<b>Net cash inflow from financing activities</b>	<b>1,015</b>	<b>4,710</b>	<b>-</b>
<b>Net (decrease) / increase in cash held</b>	<b>(834)</b>	<b>1,726</b>	<b>(688)</b>
Cash and cash equivalents at the beginning of the period	1,183	349	2,075
<b>Cash and cash equivalents at the end of the period</b>	<b>349</b>	<b>2,075</b>	<b>1,387</b>

*The consolidated historical statement of cash flows has been extracted from the audited financial statements of Pearl for FY2015 and FY2016 and reviewed financial statements of Pearl for HY2017.*

#### **Operating cash flows**

Pearl has continued to incur largely research and development costs over the Historical Period, with no offsetting operational revenue, which has resulted in operating cash out flows. A tax refund from the research and development expense incurred has been received over FY2016 and HY2017.

#### **Investing cash flows**

In FY2016, a \$1 million payment was made in exchange for the right to use the intellectual property for the tyre recycling technology.

## 10.6 Reviewed consolidated historical pro forma statement of financial position at 31 December 2016

The table below sets out the reviewed consolidated historical statement of financial position, the pro forma transactions that have been made (further described in Section 10.7) and the reviewed pro forma statement of financial position as at 31 December 2016. The pro forma statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of Citation's view of its future financial position.

As at 31 December 2016	Section/ pro forma adjustment	Citation Reviewed \$'000	Adj \$'000	Pro Forma Reviewed \$'000
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	10.8	224	6,187	6,411
Trade and other receivables		2,018	(1,889)	129
<b>TOTAL CURRENT ASSETS</b>		<b>2,242</b>	<b>4,298</b>	<b>6,540</b>
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment		-	2,302	2,302
Intangible assets		-	1,409	1,409
Development assets		-	704	704
Other non current assets held for sale		3,300	(3,300)	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>3,300</b>	<b>1,115</b>	<b>4,415</b>
<b>TOTAL ASSETS</b>		<b>5,542</b>	<b>5,413</b>	<b>10,955</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables		219	96	315
Other current liabilities		1,390	(1,390)	-
Borrowings		595	(561)	34
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,204</b>	<b>(1,855)</b>	<b>349</b>
<b>TOTAL LIABILITIES</b>		<b>2,204</b>	<b>(1,855)</b>	<b>349</b>
<b>NET ASSETS</b>		<b>3,338</b>	<b>7,268</b>	<b>10,606</b>
<b>SHAREHOLDERS EQUITY</b>				
Share capital	10.9	47,483	(40,819)	6,664
Reserves	10.11	3,197	2,895	6,092
Accumulated losses	10.12	(47,342)	45,192	(2,150)
<b>TOTAL SHAREHOLDERS EQUITY</b>		<b>3,338</b>	<b>7,268</b>	<b>10,606</b>

The historical statutory consolidated statement of financial position has been extracted from the reviewed financial statements of Citation and Pearl for HY2017.

The pro forma statement of financial position as at 31 December 2016 reflects the subsequent events and pro forma transactions, the application of the funds from the Public Offer less the costs associated with the Public Offer as set out in Section 10.7.

## 10.7 Subsequent events and the pro forma transactions

The following transactions contemplated in this Prospectus which are to take place on or before the completion of the Offers, referred to as the subsequent events and pro forma adjustments, are presented as if they, together with the Offer, had occurred on or before 31 December 2016 and are set out below.

With the exception of the subsequent events and pro forma transactions noted below no other material transactions have occurred between 31 December 2016 and the date of this Prospectus which the Directors consider require disclosure.

### Subsequent events:

- (a) the Consolidation (being a consolidation of Citation's issued shares on the basis of 7 shares for every 199 shares on issue and 7 options for every 199 options on issue);
- (b) In January 2017, Citation entered into a settlement with Pearl which provided for a mutual release of all claims under an agreement dated 25 November 2015 between Citation, Pearl and certain other parties in respect of the acquisition (in two stages) of the entire issued capital of Pearl. As part of this settlement, Citation's 40% shareholding in Pearl was transferred back to Pearl's shareholders in consideration of a cash payment of \$3.3 million. The Pearl shareholders retained their initial shares received on acquisition, which had a fair value of \$4 million at the time of issue;
- (c) On 27 February 2017, a DOCA was executed by Citation which included the following key terms and a net cash payment of \$0.6 million including the administrators fees:
  - (i) An ex gratia payment be distributed to specific creditors, in accordance with the settlement reached with Peter Landau, through a creditors trust;
  - (ii) The claims of other creditors are to be resolved through the creation and funding of three other creditors trusts in respect of various categories of creditor; and
  - (iii) The implementation of a recapitalisation of the Company.
- (d) The executive directors, Gary Foster and Andrew Drennan will be paid a sign on fee equating to approximately \$0.15 million each as a consequence of becoming directors of Citation.

### Pro forma transactions:

- (e) "**Pearl acquisition**": the acquisition of the entire issued share capital of Pearl in consideration for the issue to the Pearl vendors of 80,000,000 new ordinary shares (on a post Consolidation basis) at a value of \$0.20 per share, and a total fair value of \$16 million. Further information in respect of the Acquisition is set out in Section 9.1;
- (f) "**Plant and equipment acquisition**": the purchase of plant and equipment amounting to \$1.5 million in relation to the purchase of a TDU;
- (g) "**Conversion of the Pearl Convertible Notes**": the issue by Citation of 18,718,750 Shares and 6,239,567 New Options (each on a post Consolidation basis) to the Pearl Noteholders at \$0.16 per share and \$0.109 per option, on

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conversion of the Pearl Convertible Notes, with a fair value of \$3 million and \$0.68 million respectively for the shares and options. This conversion in the books of Pearl created a cash repayment of \$0.3 million as a consequence of the net impact of the buyback and convertible note conversion. The terms of those notes provide that (amongst other conversion events), on the receipt of confirmation from the ASX that Citation's securities will be reinstated to quotation on conditions acceptable to Citation (acting reasonably), the notes will automatically convert into shares with attaching new options;

- (h) **“Issue of shares to a Director in satisfaction of accrued fees”**: the issue by Citation of 500,000 ordinary shares (on a post Consolidation basis) to Victor Turco, a Director of the Company, at a deemed issue price of \$0.20 per Share (fair value of \$0.1 million) in satisfaction of accrued directors fees. This Share issue will be treated as a share based payment and consequently expensed;
- (i) **“Issue of options to the lead manager”**: the issue by Citation of 36,000,000 New Options (on a post Consolidation basis) to Cadmon (the lead manager) and/or its nominees in connection with the Recapitalisation Proposal at an issue price of \$0.0001 per New Option, amounting to \$3,600 of cash proceeds. The options have a fair value of \$0.109 per option (total value of \$3.9 million) using a Black-Scholes valuation model. These options have been treated as a share based payment and consequently offset against share capital;
- (j) **“The Public Offer”**: the issue of 25 million Shares, at \$0.20 per Share, amounting to \$5 million under the Public Offer;
- (k) **“Public Offer costs”**: total cash expenses associated with the Public Offer (including broking, legal, accounting and administrative fees as well as printing, advertising and other expenses) are estimated to be \$0.8 million (inclusive of GST) under the Public Offer. Approximately \$0.33 million of these costs have been capitalised against equity, and the remaining costs expensed. No GST has been assumed to be recoverable. No deferred tax asset has been recognised in relation to the offer costs due to the uncertainty of when or if profits will be generated in the future.

## 10.8 Reviewed pro forma cash and cash equivalents

The reviewed pro forma cash and cash equivalents has been set out below:

	Pro forma adjustment	Pro Forma \$'000
<b>Reviewed cash and cash equivalents at 31 December 2016</b>		<b>224</b>
<i>Subsequent events:</i>		
Cash payment received from Pearl in relation to Citation's 40% investment being transferred back to the Pearl shareholders	10.7.2	3,300
The net impact of the payment of creditors following the DOCA being executed	10.7.3	(601)
Director sign on fee payment	10.7.4	(300)
		<b>2,623</b>
<i>Pro forma transactions:</i>		
Cash acquired from Pearl	10.7.5	1,081
Acquisition of plant and equipment	10.7.6	(1,500)
Issue of options to the lead manager	10.7.9	4
Proceeds from shares issued under the Public Offer	10.7.10	5,000
Payment of the costs relating to the Public Offer	10.7.11	(797)
<b>Pro forma cash and cash equivalents</b>		<b>6,411</b>

## 10.9 Share capital

The reviewed pro forma share capital has been set out below:

	Pro forma adjustment	Pro Forma \$'000
<b>Reviewed share capital at 31 December 2016</b>		<b>47,483</b>
<i>Pro forma transactions:</i>		
Fair value of shares issued in consideration for Pearl	10.7.5	16,000
Conversion of the Pearl Convertible Notes	10.7.7	2,995
Issue of shares to a Director in satisfaction of accrued fees	10.7.8	100
Fair value of the options to the lead manager capitalised	10.7.9	(3,920)
Fair value of the shares issued under the Public Offer	10.7.10	5,000
Public Offer costs capitalised under the Public Offer	10.7.11	(330)
Acquisition accounting	10.9	(60,664)
		<b>(40,819)</b>
<b>Pro forma share capital</b>		<b>6,664</b>

Citation has entered into the Acquisition Agreement to acquire 100% of the issued share capital of Pearl. Under the principles of AASB 3: "Business Combinations" Pearl is the accounting acquirer in the business combination. Therefore, the transaction has been accounted for as a reverse acquisition without recognising any goodwill. Accordingly, the consolidated financial statements of Citation have been prepared as a continuation of the financial statements of Pearl.

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (Pearl) in the form of equity instruments issued to the shareholders of the legal parent, Citation. The acquisition date fair value of the consideration transferred has been determined by reference to the fair value of the issued shares of Citation immediately prior to the business combination.

The deemed acquisition cost has been determined by using the fair value of Citation at 20 cents per share. Therefore the deemed acquisition cost is 9,250,694 shares x 20 cents which amounts to \$1.85 million less the net assets of Pearl being acquired (\$3.3 million, net assets of Citation at 31 December 2016), which equates to \$1.49 million and has been recognised in an acquisition reserve account.

#### 10.10 Number of shares

	Pro forma adjustment	Pro Forma no. of shares
<b>Reviewed number of shares issued at 31 December 2016</b>		<b>262,984,008</b>
<i>Subsequent event:</i>		
Share consolidation (199 shares consolidated into 7 shares)	10.7.1	9,250,694
<i>Pro forma transactions:</i>		
Shares issued in consideration for the acquisition of Pearl	10.7.5	80,000,000
Conversion to ordinary shares of the Pearl Convertible Notes	10.7.7	18,718,750
Issue of shares to a Director in satisfaction of accrued fees	10.7.8	500,000
Shares issued under the Public Offer	10.7.10	25,000,000
<b>Pro forma shares issued</b>		<b>133,469,444</b>

#### 10.11 Reserves

The reviewed pro forma reserves have been set out below:

	Pro forma adjustment	Pro Forma \$'000
<b>Reviewed reserves at 31 December 2016</b>		<b>3,197</b>
<i>Pro forma transactions:</i>		
Fair value of the New Options issued to the Pearl Noteholders	10.7.7	680
Fair value of the New Options to the lead manager capitalised	10.7.9	3,924
Deemed acquisition cost	10.9	1,489
Acquisition accounting	10.9	(3,198)
		<b>2,895</b>
<b>Pro forma reserves</b>		<b>6,092</b>

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## 10.12 Accumulated losses

The reviewed pro forma accumulated losses have been set out below:

	Pro forma adjustment	Pro Forma \$'000
<b>Reviewed accumulated losses at 31 December 2016</b>		<b>(47,342)</b>
<i>Subsequent events:</i>		
The net impact of the payment of creditors following the DOCA being executed	10.7.2	(616)
Director sign on fee payment	10.7.4	(300)
		<b>(48,258)</b>
<i>Pro forma transactions:</i>		
Conversion of the Pearl convertible notes	10.7.7	(680)
Issue of shares to a Director in satisfaction of accrued fees	10.7.8	(100)
Public Offer costs expensed under the Public Offer	10.7.11	(467)
Acquisition accounting	10.9	47,355
		<b>46,108</b>
<b>Pro forma accumulated losses</b>		<b>(2,150)</b>

## 10.13 Indebtedness and capitalisation

The table below sets out the indebtedness and capitalisation of Citation as at 31 December 2016, before and following completion of the Public Offer:

	At 31 December 2016	Pro forma
\$'000		
Cash and cash equivalents	224	6,411
Borrowings	(595)	(34)
<b>Total indebtedness</b>	<b>(371)</b>	<b>6,377</b>
Share capital	47,483	6,664
Reserves	3,197	6,092
Accumulated losses	(47,342)	(2,150)
<b>Total equity</b>	<b>3,338</b>	<b>10,606</b>
<b>Total capitalisation and indebtedness</b>	<b>3,709</b>	<b>4,229</b>



# Grant Thornton

An instinct for growth™

Board of Directors  
Citation Resources Limited, to be renamed Pearl Global Limited  
Level 1, Wesley Central  
8-12 Market Street  
Fremantle, WA, 6160

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
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21 August 2017

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Dear Directors,

## **INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE**

### **Introduction**

We have been engaged by Citation Resources Limited, to be renamed Pearl Global Limited (“Citation”, or the “Company”) to report on the Historical and Pro forma Financial Information of the Company for inclusion in a Replacement Prospectus (the “Replacement Prospectus”) to be dated on or about 21 August 2017 to be issued by Citation in respect to the offer of new shares in the Company (“Public Offer”).

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) holds an Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Replacement Prospectus have the same meaning in this report, unless otherwise specified.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

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### **Scope of this Report**

You have requested Grant Thornton Corporate Finance to review the following Historical and Pro Forma Financial Information included in the Replacement Prospectus.

The Historical and Pro Forma Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in Australia in accordance with the Corporations Act 2001.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Historical and Pro Forma Financial Information**

The Historical and Pro Forma Financial Information of Citation and Pearl Global Pty Ltd (“Pearl”), as set out in the Replacement Prospectus comprises:

- Summary audited and reviewed consolidated historical statement of profit or loss and other comprehensive income for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Citation;
- Summary audited and reviewed consolidated historical statement of profit or loss and other comprehensive income for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Pearl;
- Summary audited and reviewed consolidated historical statement of cash flows for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Citation;
- Summary audited and reviewed consolidated historical statement of cash flows for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Pearl; and
- The reviewed consolidated historical statement of financial position for Citation as at 31 December 2016; and
- The historical pro forma consolidated statement of financial position of Citation as at 31 December 2016.

(Hereafter the “Historical and Pro Forma Financial Information”).

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The Historical and Pro Forma Financial Information has been derived from both CTR and Pearl's audited financial statements for FY2015 and FY2016 and reviewed financial statements for HY2017. No pro forma adjustments have been made to the historical audited and reviewed financial statements.

The financial statements for CTR were prepared in AUD dollars and in accordance with AIFRS and were audited in FY2015 and FY2016 by Grant Thornton Audit Pty Ltd who issued a disclaimed audit opinion in each of these periods. The basis of this disclaimer related to the inability to obtain sufficient and appropriate audit evidence on the books and records of the subsidiary, Latin American Resources Limited, and the basis of accounting of the consolidated entity. Grant Thornton Audit Pty Ltd has reviewed the financial statements for HY2017 for CTR and issued a qualified review conclusion on the basis of the comparative balances in respect of 31 December 2015 being qualified with a material uncertainty regarding the ability to continue as a going concern.

The financial statements for Pearl were prepared in AUD dollars and in accordance with AIFRS and were audited in FY2015 and FY2016 by Grant Thornton Audit Pty Ltd. Grant Thornton Audit Pty Ltd issued a qualified audit opinion in FY2015 regarding the opening balances in June 2014 and with an emphasis of matter regarding the ability to continue as a going concern and an unqualified audit opinion in FY2016 with an emphasis of matter regarding the ability to continue as a going concern. Grant Thornton Audit Pty Ltd has reviewed the financial statements for HY2017 for Pearl and issued an unqualified review report with an emphasis of matter regarding the ability to continue as a going concern.

The historical pro forma consolidated statement of financial position as at 31 December 2016 assumes completion of the proposed transactions outlined in **Section 10.7** of the "Financial Information" section which includes the Offer and the events occurring subsequent to 31 December 2016 (the "Pro Forma Transactions") as though they had occurred on that date.

The stated basis of preparation is the recognition and measurements principles contained in AIFRS and Citation's and Pearl's adopted accounting principles applied to the Historical and Pro Forma Financial Information.

The accounting policies of CTR and Pearl have been consistently applied throughout the periods presented.

This report has been prepared for inclusion in the Replacement Prospectus. Grant Thornton Corporate Finance disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which this report relates for any purpose other than the purposes for which it was prepared. This report should be read in conjunction with the Replacement Prospectus.

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### **Directors' Responsibility**

The Directors of Citation are responsible for the preparation and presentation of the Historical and Pro Forma Financial Information. The Directors are also responsible for the determination of the pro forma transactions set out in **Section 10.7** of the "Financial Information" section and the basis of preparation of the Historical and Pro Forma Financial Information.

This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the Directors determine necessary to enable the preparation of the Historical and Pro Forma Financial Information that are free from material misstatement.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Historical and Pro Forma Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3420: *"Assurance Engagements to Report on the Compilation of Pro Forma Historical Pro Forma Financial Information"* and ASAE 3450: *"Assurance Engagements involving Corporate Fundraisings and/ or Prospective Historical Pro Forma Financial Information"*. Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures applied to the accounting records in support of the Historical and Pro Forma Financial Information.

These procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards, and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical and Pro Forma Financial Information.

Our engagement did not involve updating or re issuing any previously issued audit reports on any Historical and Pro Forma Financial Information used as a source of the Historical and Pro Forma Financial Information.

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## Conclusion

### **Historical and Pro Forma Financial Information**

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical and Pro Forma Financial Information of Citation and Pearl described in the “Financial Information” section of the Replacement Prospectus does not present fairly:

- Summary audited and reviewed consolidated historical statement of profit or loss and other comprehensive income for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Citation;
- Summary audited and reviewed consolidated historical statement of profit or loss and other comprehensive income for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Pearl;
- Summary audited and reviewed consolidated historical statement of cash flows for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Citation;
- Summary audited and reviewed consolidated historical statement of cash flows for FY2015 (audited), FY2016 (audited) and HY2017 (reviewed) for Pearl; and
- The reviewed consolidated historical statement of financial position for Citation as at 31 December 2016;
- The historical pro forma consolidated statement of financial position of Citation as at 31 December 2016; and
- The pro forma transactions set out in **Section 10.7** of the “Financial Information” section are a reasonable basis for the historical pro forma consolidated statement of financial position as 31 December 2016;

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements under AIFRS as if the pro forma transactions set out in in **Section 10.7** of the “Financial Information” section had occurred at 31 December 2016.

We have assumed, and relied on representations from certain members of management of Citation and Pearl, that all material information concerning the historical operations of Citation and Pearl has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

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**Restriction on Use**

Without modifying our conclusion, we draw attention to the “Financial Information” section, which describes the purpose of the Historical and Pro Forma Financial Information, being for inclusion in the Replacement Prospectus. As a result, the Historical and Pro Forma Financial Information may not be suitable for use for another purpose.

**Consent**

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Replacement Prospectus in the form and context in which it is included.

**Liability**

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Replacement Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Replacement Prospectus.

**Independence or Disclosure of Interest**

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully  
GRANT THORNTON CORPORATE FINANCE PTY LTD



Tim Goodman  
Partner and Authorised Representative

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Level 17, 383 Kent Street  
Sydney NSW 2000

## Appendix A (Financial Services Guide)

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

This Financial Services Guide is dated 21 August 2017.

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### 1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) ("Grant Thornton Corporate Finance") has been engaged by Citation Resources Limited, to be renamed Pearl Global Limited ("Citation", or the "Company") to provide general financial product advice in the form of an Independent Limited Assurance Report (the Report) to accompany the Historical Pro Forma Financial Information for the purpose of pre quotation disclosure prior to readmission to the Australian Securities Exchange. You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

### 2 This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

### 3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

### 4 General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

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Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail finance product advice directly to retail investors nor does it provide market related advice directly to retail investors.

#### **5 Fees, commissions and other benefits we may receive**

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report, Grant Thornton Corporate Finance will receive from the Company a fee of \$35,000 plus GST which is based on commercial rates plus reimbursement of out of pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, and related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receives non-monetary benefits in respect of, or that is attributable to the provision of the services described in this FSG.

#### **6 Referrals**

Grant Thornton Corporate Finance including its Partners, Directors, employees or associates and related bodies corporate, does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

#### **7 Associations with issuers of financial products**

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Audit Pty Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

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## **8 Complaints**

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint.

If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for the report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## **9 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

## **10 Contact Details**

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance  
Grant Thornton Corporate Finance Pty Ltd  
Level 17, 383 Kent Street  
Sydney, NSW, 2000

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## 11 Directors, substantial Shareholders & corporate governance

The Company's Board of Directors comprises Mr Victor Turco and Mr Bert Huys. It is proposed that, following completion of the Acquisition, Mr Bert Huys will step down as a director of the Company, and the directors of the Company will be Mr Gary Foster, Mr Andrew Drennan and Mr Victor Turco.

Brief profiles of the Directors, proposed directors and key management are set out below.

### 11.1 Directors and key management

#### **Gary Foster** – proposed Executive Director

Gary is the Non-Executive Chairman and original co-founder of Transaction Solutions International Limited (**TSN**), a company which provides bank infrastructure and complementary information technology services to international banks (and the financial sector in general) and which has operations in Australia and India. As Founding Director of TSN, Gary is responsible for the strategic direction and international expansion of that company. Gary was formerly Chief Executive Officer and Director of both ATM Systems Pty Ltd, an independent provider of electronic payments and banking systems to the SME sector which was acquired by Pulse International and Travelex in 2006, and B.W.K. LLC (Germany), a commodities trading company involved in the specialisation and delivery of a diversified range of agricultural products. Gary is also a current director of Keshi. Gary holds a Graduate Certificate of Management and a Certificate III in Agriculture and is a member of the Australian Institute of Company Directors.

#### **Andrew Drennan** – proposed Executive Director

Andrew is currently Managing Director of Pearl and is chiefly responsible for the development of the TRR Project and Pearl's environmental management and business strategies. Andrew's role with Pearl also encompasses the co-ordination of environmental approvals, responsibility for the scoping and co-ordination of scientific studies and programs and the planning and oversight of the design, construction and commissioning of the TRR Project. Andrew is also a current director of Keshi. Andrew holds a Bachelor of Science in Environmental Science from Murdoch University, Perth and has 15 years experience in the environmental management industry. Andrew was previously employed as an Environmental Officer / Inspector with the Western Australian Department of Industry and Resources and as an Environmental Team Leader at BHP Billiton Iron Ore.

#### **Victor Turco** – Non-Executive Director

Mr Turco is a Certified Practicing Accountant and the principal and public practice license holder of Turco & Co Pty Ltd. Mr Turco holds a Bachelor of Business from the Western Australian Institute of Technology (Curtin University), is a registered tax agent and registered auditor of self-managed superannuation funds and is also a member of both the Australian Society of CPA's and the National Tax and Accountant's Association. Mr Turco has been involved in public accounting arena for 36 years and

has experience both in Australia and overseas in the accounting, taxation, finance, corporate and property fields

Mr Turco has not held directorship positions in other listed companies in the past three-year period.

**Bert Huys – Director**

Mr Huys is currently the Research and Technology Development Manager with Keshi Technologies. Mr Huys has over 25 years' experience in mining, mineral processing and infrastructure development including most recently senior roles with Perth Airport and BHP Billiton Iron Ore.

Mr Huys has not held directorship positions in other listed companies in the past three-year period.

**11.2 Disclosure of interests**

**Remuneration of Directors**

The Chairman and the Directors (with the exception of the Managing Director) are entitled to be remunerated for their services as follows:

- (a) The amount of the Directors' remuneration is a yearly sum not exceeding the sum from time to time determined by the Company in general meeting. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$250,000. This amount cannot be increased without Shareholder approval.
- (b) The Directors' remuneration accrues from day to day, except for any non-cash benefit which is taken to accrue at the time the benefit is provided, subject to the terms on which the benefit is provided.

The Company may also pay the Directors' travelling and other expenses that they properly incur:

- (a) in attending Directors' meetings or any meetings of committees of Directors;
- (b) in attending any general meeting of the Company; and
- (c) in connection with the Company's business.

The annual remuneration paid to Directors for the financial years ended 2015 and 2016 is set out in the following table.

Director	Salary, fees and leave (\$)		Post-employment benefits e.g. superannuation (\$)		Total (\$)	
	2015	2016	2015	2016	2015	2016
Brett Mitchell <sup>1</sup>	108,000	50,000	-	-	108,000	50,000
Peter Landau <sup>2</sup>	36,000	18,000	-	-	36,000	18,000
Anthony Eastman <sup>3</sup>	9,000	30,000	-	-	9,000	30,000
Michael Curnow <sup>4</sup>	27,000	-	-	-	27,000	-
Bert Huys <sup>5</sup>	-	15,000	-	-	-	15,000
Victor Turco <sup>6</sup>	-	21,000	-	-	-	21,000

**Notes:**

- Effective 1 January 2015, Mr Mitchell reverted to a Non-Executive salary of \$36,000 per annum. Ceased to be a director on 1 December 2015.
- Ceased to be a director on 19 January 2016
- Appointed 20 March 2015 and ceased to be a director on 17 May 2016
- Ceased to be a director on 20 March 2015
- Appointed 19 January 2016
- Appointed 1 December 2015

The proposed annual remuneration for each of the Directors for the financial year ending 30 June 2017 is set out below:

Director <sup>1</sup>	Salary, fees and leave (\$)	Post-employment benefits e.g. superannuation (\$)	Total (\$)
Victor Turco	\$36,000	\$3,420	\$39,420
Gary Foster	\$273,000	\$27,000	\$300,000
Andrew Drennan	\$273,000	\$27,000	\$300,000

**Note:**

- Refer to Section 11.3(c) for details of the terms of appointment of the current Directors.

### Directors' interests in Securities

The Directors' direct and indirect interests in the Company's Securities as at the date of this Prospectus and following completion of the Offers (assuming no Director subscribes for Shares under the Public Offer) are shown in the following table:

Security	Andrew Drennan		Gary Foster		Victor Turco	
	Current	Post Acquisition	Current	Post Acquisition	Current	Post Acquisition
Shares	471,350	13,871,183	645,772	19,004,179	117,321	952,611
Options	-	157,116	-	215,257	-	39,107
Pearl Convertible Notes	-	-	-	-	-	-

**Note:** On a post-Consolidation basis.

### 11.3 Agreements with Directors and related parties

The Company's policy in respect of related party agreements is as follows:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not to be present while the matter is being considered at the meeting and does not vote on the matter.

The following agreements are or potentially may be related party transactions with the Company:

- (c) **Executive appointments:** Refer to Section 9.8 for further details.
- (d) **Deeds of indemnity, insurance and access**

The Company intends to enter into a deed of indemnity, insurance and access with each Director. Under the deeds, it is intended that the Company will indemnify each Director to the extent permitted by the Corporations Act against any liability arising as a result of acting as a Director.

- (e) **Arrangement with Turco & Co Pty Ltd**

The Company previously entered into an agreement dated 20 January 2016 with Turco & Co Pty Ltd (**Turco & Co**) where Turco & Co provided corporate management services to the Company. This agreement was terminated on or about August 2016 and Turco & Co has not received any fees since 31 August 2016 pursuant to this agreement.

### **Incentive arrangements**

The executive Directors will be eligible to participate in any short term and long term incentive arrangements operated or introduced by the Company (or any subsidiary) from time to time:

- (f) in accordance with the terms and conditions governing those arrangements; and
- (g) as determined or varied (including in respect of the form of any benefit provided to an executive) at the discretion of the Board from time to time.

### **11.4 Substantial Shareholders**

Those Shareholders with a Relevant Interest in 5% or more of the total number of votes attached to Shares on issue both as at the date of this Prospectus and on completion of the Offers are set out in the respective tables below.

- (a) As at the date of this Prospectus (based on the Company's current issued Share capital of 9,250,694 Shares (on a post-Consolidation basis)):

Shareholder	Shares <sup>3</sup>	%
Bretnall Custodians Pty Ltd <The Foster Family A/C> <sup>1</sup>	645,772	6.98
Mr Andrew Drennan <Drennan Family A/C> <sup>2</sup>	471,350	5.10

**Notes:**

1. An associate of Gary Foster, a proposed director of the Company
2. An associate of Andrew Drennan, a proposed director of the Company
3. On a post-Consolidation basis.

- (b) Based on the Company's pro-forma issued capital of 178,859,358 Shares (maximum subscription) (on a post-Consolidation basis) on completion of the Offers and the Acquisition and assuming all of the current options on issue and New Options to be issued under the Recapitalisation Proposal are converted into Shares:

Shareholder*	Shares <sup>1</sup>	% (on 100% subscription to Public Offer)
Bretnall Custodians Pty Ltd as trustee for the Foster Family Trust (an associate of Gary Foster, a proposed Director)	19,219,436	10.75%
Andrew Michael Drennan as trustee for the Drennan Family Trust (an associate of Andrew Drennan, a proposed Director)	14,028,300	7.84%

**Note:**

1. On a post-Consolidation basis.

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The Company will announce to the ASX details of its top 20 Shareholders (following completion of the Offers) prior to the Shares being reinstated to Official Quotation on ASX.

## 11.5 Corporate governance

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 3<sup>rd</sup> edition of the ASX Corporate Governance Councils' *Corporate Governance Principles and Recommendations (Recommendations)* to the extent applicable, in light of the Company's size and nature. However, the Board also recognises that full adoption of the Recommendations may not be practical or provide the optimal result given the particular circumstances of the Company.

The corporate governance statement below discloses the extent to which the Company follows the Recommendations. The Company will follow each Recommendation where the Board has considered it to be an appropriate benchmark for the Board's corporate governance practices. Where the Company's corporate governance practices will follow a Recommendation, appropriate statements reporting on the adoption of the Recommendation are set out below. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a particular Recommendation, the reasons for not following the Recommendation and what, if any, alternative practices the Company will adopt instead of those in the Recommendation are also disclosed.

The Company's governance-related documents will be made available on its website at [www.citationresources.com.au](http://www.citationresources.com.au).

### 1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### 1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.
- **Recommendation 1.4:** The Company Secretary of a listed entity should be accountable directly to the Board.

#### 1.2 The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Executive Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:-

- Contributing to the development of and approving corporate strategy;

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- Appointing, assessing the performance of and, if necessary removing the Executive Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - Organizational performance and the achievement of strategic goals and objectives
  - Compliance with the Company's code of conduct
  - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

The Executive Director is responsible for the ongoing management of the Company's operations and report to the Board. He is accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. The Executive Director's performance is reviewed on a regular basis by the Board. It is noted that the Company does not currently have an Executive Director, however an Executive Director will be appointed as part of the Recapitalisation Proposal.

Based on the above information the Company believes it is compliant with Recommendations 1.3 and 1.4. The Company is not fully compliant with Recommendations 1.1 and 1.2 as it does not have a current Executive Director. Andrew Drennan will be the Executive Director following completion of the Acquisition and the Recapitalisation Proposal.

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## 2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### 2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the board should be independent directors.
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

### 2.2 The Company's practice:

#### Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has two independent, non-executive Directors.

#### Composition

The directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives.

The term in office held by each director in office at the date of this report is as follows and details of the professional skills and expertise of each of the directors are set out in the Directors' Report of the Company for the financial year ended 30 June 2016, available from the ASX and from the Company's website.

Name	Position	Term in Office
Victor Turco	Non-Executive	18 months (appointed 1 December 2015)
Bert Huys	Non-Executive	17 months (appointed 19 January 2016)

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

#### Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

### **Independent professional advice and access to company information**

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

The Company does not currently have a Chairman and as such as not complied with Recommendation 2.2. It is expected that a Chairman will be appointed as part of the completion of the Recapitalisation Proposal.

### **Nomination committee**

The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

### **Monitoring of Board Performance**

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendations 2.2 and 2.4 as outlined.

## **3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

### **3.1 Companies should actively promote ethical and responsible decision-making.**

- **Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the company's integrity
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

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- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

### 3.2 The Company's practice:

#### **Ethical Standards**

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

#### **Diversity Policy**

The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

#### **Gender Diversity**

As a priority, the Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

#### **Women Employees, Executives and Board Members**

During the 2015/16 financial year, the Company and its consolidated entities had two (2) female employees/executives:

- its Financial Controller; and
- an Executive Assistant,

which represented approximately 40% of the total number of employees, executives and/or board members of the Company and its consolidated entities excluding LAR. There are currently no female members of the Board of the Company or Company Secretary of the Company. Given the Company is in administration, it also currently does not have any female employees/executives, as was the case at 30 June 2016.

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Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

#### 4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

##### 4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
  - consists only of non-executive directors
  - consists of a majority of independent directors
  - is chaired by an independent chair, who is not chair of the board
  - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

##### 4.2 The Company's practice:

###### Audit Committee

The Board has not established a separate audit committee and as such has not complied with Recommendation 4.1 & 4.2. The duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, due to the size and current operations of the Company.

- The processes the Board applies in performing this function include: -reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

###### Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

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The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The board, consisting of members with financial expertise and detailed knowledge and experience of the oil and gas exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and Financial Controller as at 30 June 2016 declared in writing to the Board that the Company's financial reports for the year ended 30 June 2016 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.3 and 4.4. The Company is not compliant with Recommendations 4.1 and 4.2 as outlined.

## **5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

### **5.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.**

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

### **5.2 The Company's practice:**

#### **Continuous Disclosure Policy**

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore, to meet this obligation the Company undertakes to:

- (a) Notify the ASX immediately if it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies' securities, unless that information is not required to be disclosed under the listing rules;
- (b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
- (c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

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The Executive Director and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Executive Director and the Company Secretary, including:

- (a) Media releases;
- (a) Analyst briefings and presentations; and
- (b) The release of reports and operational results.

Continuous disclosure is a standing agenda item for all Board meetings.

Given the board changes in the Company, the Company has not had an Executive Director and for a period of time in the 2016/2017 financial year also had no Company Secretary.

Based on the above information the Company believes it is not fully compliant with Recommendations 5.1 and 5.2.

## 6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

### 6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

### 6.2 The Company's practice:

#### Shareholder Communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

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Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

## 7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### 7.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The board should require management to design and implement a risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

### 7.2 The Company's practice:

#### RISK MANAGEMENT

##### Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

##### Oversight of the Risk Management System

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Executive Director as at 30 June 2016 declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively as at 30 June 2016. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

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### Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

## 8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### 8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The board should establish a remuneration committee.
- **Recommendation 8.2:** The remuneration committee should be structured so that it:
  - consists of a majority of independent directors
  - is chaired by an independent chair
  - has at least three members
- **Recommendation 8.3:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

### 8.2 The Company's Practice:

#### Remuneration Committee

The Company does not currently have a separate remuneration committee and as such has not complied with Recommendation 8.1 or Recommendation 8.2. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

#### Remuneration Policies

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Director and the executive team (if applicable). The Board may engage external consultants for independent advice in the future as it deems necessary.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors'

and senior executives emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and Motivation of senior executives
2. Attraction of quality management to the Company
3. Performance incentives (if appropriate) which allow executives to share the rewards of the success of the Company

Remuneration of Non-Executive Directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.3 and Recommendation 8.4 and is not compliant with Recommendation 8.1 or Recommendation 8.2 as outlined.

## **12 Additional information**

### **12.1 Litigation**

As at the date of this Prospectus:

- (a) the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company; and
- (b) Pearl is not involved in any legal proceedings and Pearl's directors and the Directors are not aware of any legal proceedings pending or threatened against Pearl.

### **12.2 Tax status**

The Company is taxed in Australia as a public company. The Company's financial year ends on 30 June, annually.

### **12.3 Rights attaching to Securities**

#### **(a) Rights attaching to Shares**

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

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- (i) **General meetings**
- (i) Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.
  - (ii) Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.
- (ii) **Voting rights:** Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:
- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
  - (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
  - (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).
- (iii) **Dividend rights**
- (i) Subject to the rights of persons (if any) entitled to shares with special rights to dividend, the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Members of such dividend.
  - (ii) The Directors may authorise the payment or crediting by the Company to the Members of such interim dividends as they appear to the Directors to be justified by the profits of the Company.
  - (iii) Subject to the Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement:

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- a dividend reinvestment plan or an interest reinvestment plan on such terms and conditions as the Directors think fit and which provides for cash dividends paid by the Company in respect of shares issued by the Company and interest paid by the Company on unsecured notes or debentures issued by the Company to be reinvested by way of subscription for shares in the Company; or
- a dividend election plan permitted holders of shares to the extent those shares are fully paid up, to have the option to elect to forego the right to dividends (whether interim or otherwise) payable in respect of such shares and to receive instead an issue of shares credited as fully paid up to the extent as determined by the Directors.

(iv) **Winding-up**

- (i) If the Company is wound up, any property that remains after satisfaction of all debts and liabilities of the Company and the payment of costs, charges and expenses of winding up will be distributed among the Shareholders in accordance with their respective rights.
- (ii) Any amount that would otherwise be distributable to the holder of a partly paid Share must be reduced by the amount unpaid on that Share as at the date of distribution.
- (iii) The liquidator may, with the authority of a special resolution of the Company, divide amongst the Shareholders the whole or any part of the Company's property and decide how the division is to be carried out between the Shareholders or classes of Shareholders. No Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(v) **Shareholder liability:** As the Shares offered under this Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(vi) **Transfer of Shares:** Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules. The Directors may refuse to register a transfer of shares (other than a market transfer) where

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the Listing Rules or the ASX Settlement Operating Rules permit or require the Company to do so.

- (vii) **Variation of rights:**
- (i) Pursuant to the provisions of sections 246B to 246E of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders, vary or abrogate the rights attaching to Shares.
  - (ii) If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.
- (viii) **Alteration of Constitution:** The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.
- (b) **Terms of New Options to be issued to the Pearl Vendors in connection with the Acquisition and to Cadmon in connection with the Public Offer as well as to the Pearl Noteholders in connection with the conversion of the Pearl Convertible Notes**
- (i) **Entitlement:** Subject to paragraph xiii each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.
  - (ii) **Exercise Price and Expiry Date:** Subject to paragraphs x and xii, the amount payable upon exercise of each New Option will be \$0.30 (**Exercise Price**).
  - (iii) **Expiry Date:** Each New Option will expire at 5:00pm (WST) on the date falling 3 years after their issue date (**Expiry Date**). A New Option not exercised before that time will automatically lapse at that time.
  - (iv) **Exercise Period:** The New Options are exercisable at any time on or prior to 5:00pm (WST) on the Expiry Date (**Exercise Period**).
  - (v) **Notice of Exercise:** The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the New Option certificate (**Notice of**

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**Exercise)** and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(vi) **Exercise Date:** A Notice of Exercise is only effective on and from the later of (a) the date of receipt of the Notice of Exercise, and (b) the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

(vii) **Timing of issue of Shares on exercise:** Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

If a notice delivered under paragraph g(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(viii) **Shares issued on exercise:** Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(ix) **Quotation of Shares issued on exercise:** If admitted to the official list of ASX at the time, application will be made by the

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Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

- (x) **Reconstruction of capital:** If at any time the issued capital of the Company is reconstructed, all rights of each holder of one or more New Options are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (xi) **Participation in new issues:** There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.
- (xii) **Adjustment for rights issue:** In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the New Options, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (xiii) **Adjustment for bonus issues of Shares:** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
  - (i) the number of Shares which must be issued on the exercise of a New Option will be increased by the number of Shares which the holder of the New Option would have received if the holder had exercised the New Option before the record date for the bonus issue; and
  - (ii) no change will be made to the Exercise Price.
- (xiv) **Quoted:** The Company will apply for quotation of the New Options on ASX.
- (xv) **Transferability:** The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

(c) **Pearl Convertible Notes**

See Section 9.9 for further information regarding the terms of the Pearl Convertible Notes.

## 12.4 Details of Company and Pearl group entities

As at the date of this Prospectus, the Company's consolidated entities are as follows:

Controlled entities	Country of incorporation	Interest held
Citation Resources Options Pty Ltd	Australia	100%
Citation Resources Aus Pty Ltd	Australia	100%

Citation Resources Inc., previously a wholly owned subsidiary of the Company incorporated in the USA, has now been deregistered. Upon completion of the Acquisition, the Company will also control Pearl.

As at the date of this Prospectus, Pearl's consolidated entities are as follows:

Controlled entities	Country of incorporation	Interest held
Rubber Reclamation Industries Pty Ltd	Australia	100%
Tyre Resource Recovery Pty Ltd	Australia	100%

## 12.5 Interests of Directors

Other than as set out in this Prospectus, no Director holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offers.

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## 12.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offers; or
- (f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offers.

Grant Thornton Corporate Finance Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 10. The Company estimates it will pay Grant Thornton Corporate Finance Pty Ltd a total of \$35,000 (excluding GST) for these services.

Cadmon has acted as Lead Manager to the Company in relation to the Public Offer. The Company will pay Cadmon fees in accordance with the Lead Manager Mandate summarised in Section 9.3 for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Cadmon has received \$40,000 in fees from Pearl for services relating to the Lead Manager Mandate described in Section 9.3.

Lavan have acted as the solicitors in relation to the Offers. The Company estimates Lavan will be paid \$250,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Lavan have received \$350,135.00 (excluding GST) for services provided in relation to the administration of the Company.

## 12.7 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Grant Thornton has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 in the form and context in which the information and report is included. Grant Thornton has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Lavan have given their written consent to being named as the solicitors to the Company in this Prospectus. Lavan have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

Cadmon has given its written consent to being named as the lead manager to the Company in this Prospectus. Cadmon has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Grant Thornton Audit Pty Ltd have given their written consent to being named as the auditor to the Company in this Prospectus. Grant Thornton have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

Computershare has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

There are a number of other persons referred to in this Prospectus who are not experts and who have not made statements included in this Prospectus. There are no statements made in this Prospectus on the basis of any statements made by these persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

To the extent that this Prospectus contains information in regards to Pearl's business, that information is based on statements by Pearl and Pearl has given its written consent to those statements in the form and context in which they were included. Pearl has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

To the extent that this Prospectus contains information in relation to the research and development process undertaken by Pearl in collaboration with Keshi, Keshi has given its written consent to those statements in the form and context in which they were included. Keshi has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Richard Tucker and Scott Langdon have given their written consent to being named as the Deed Administrators in this Prospectus. The Deed Administrators have not withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

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## 12.8 Expenses of the Offers

The total expenses of the Offers (including GST) are estimated to be approximately \$0.8 million under the Public Offer (to raise \$5 million) and are expected to be applied towards the items set out in the table below:

	\$'000
Audit and investigating accountants fees	124
Capital raising fees (6% of the Public Offer)	330
Legal and due diligence costs	275
Lead manager retainer	39 <sup>1</sup>
Share registry fee and printing	25
ASIC	4
<b>Total cash offer costs (inclusive of GST)</b>	<b>797</b>

**Note:**

- 1 Cadmon will receive a management fee of 2% plus GST of all funds raised under the Public Offer, in addition to a selling fee of 4% plus GST of the value of the Shares placed to the Company by Cadmon. For further details, refer to the summary of the Lead Manager Mandate in Section 9.3. As also disclosed in Section 9.3, Cadmon is also being paid a monthly retainer of \$7,000 per month, which is currently being paid by Pearl. The amount of \$39,000 is in respect of approximately 5 months of work in respect of the proposed Public Offer.

## 12.9 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. The Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information will be publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX.

## 12.10 Clearing House Electronic Subregister System (CHES) and Issuer Sponsored holdings

The Company will apply to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be sent a statement that sets out the number of Shares issued to them under this Prospectus. The notice will also advise Shareholders of their Holder Identification Number or Security Holder Reference Number and explain,

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for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. A monthly statement will be sent to Shareholders if there has been any change to the number of Shares held during the preceding month. That statement is dispatched in the week following the relevant month end.

#### **12.11 Forecast financial information**

Given the nature of Pearl's business and the fact it is in development stage, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. In light of uncertainty as to timing and outcome of the Company's growth strategies and the general nature of the industry in which the Company will operate, as well as uncertain macro market and economic conditions in the Company's markets, the Company's performance in any future period cannot be reliably estimated. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

#### **12.12 Privacy statement**

The Company collects information about each Applicant from the Application Form for the purposes of processing and, if the Application is successful, to administer the Applicant's shareholding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this Prospectus and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), ASX, ASIC and other regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (name, address and details of the Shares held) in its public registers. This information must remain in the registers even if that person ceases to be a Shareholder. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. Successful Applicants may request access to their personal information held by (or on behalf of) the Company by telephoning or writing to the Company Secretary.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

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### 13 Directors' authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director and Gary Foster and Andrew Drennan have consented to the lodgement of this Prospectus with ASIC.



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Victor Turco

For and on behalf of

Citation Resources Limited (Subject to Deed of Company Arrangement)

## 14 Glossary

Where the following terms are used in this Prospectus they have the following meanings:

<b>\$</b>	means the official currency of the Commonwealth of Australia.
<b>2015 Pearl Share Purchase Agreement</b>	means the agreement dated 25 November 2015 between (amongst other parties) the Company, Pearl and the Pearl Vendors providing for the initial purchase of 40% of the issued share capital of Pearl and the subsequent purchase of the remaining 60% of the issued share capital of Pearl.
<b>Acquisition</b>	means the Company's proposed acquisition of Pearl, as described in further detail in Section 9.1.
<b>Acquisition Agreement</b>	means the Share Purchase Agreement dated 29 May 2017 between the Company and the Pearl Vendors for the purchase by the Company of the entire issued share capital of Pearl, details of which are set out in Section 9.1.
<b>Administrators</b>	means Richard Tucker and Scott Langdon of the Deed Administrator Firm in their capacities as several administrators of the Company.
<b>Appointment Date</b>	means the date of appointment of the Administrators, being 20 September 2016.
<b>Applicant</b>	means a person who applies for Shares pursuant to the Public Offer or the Priority Offer using an Application Form.
<b>Application Form</b>	means either the Priority Offer Application Form in relation to the Priority Offer and/or the Public Offer Application Form in relation to the Public Offer (both of which are in the form attached to or accompanying this Replacement Prospectus).
<b>ASIC</b>	means Australian Securities & Investments Commission.
<b>ASX</b>	means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.
<b>BBSY</b>	means the Bank Bill Swap Bid Rate quoted by Reuters Information Service from time to time.

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<b>Board</b>	means the board of Directors as constituted from time to time.
<b>Bonus Issue</b>	means the bonus issue of New Options referred to in Section 4.3.
<b>Business Day</b>	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
<b>Cadmon</b>	means Cadmon Advisory Pty Ltd.
<b>Cadmon Mandate (Pearl)</b>	means the mandate between Pearl and Cadmon dated 5 January 2017 and details of which are contained in Section 9.4.
<b>Call Option Deed</b>	has the meaning given to that term in Section 9.2.
<b>Citation</b>	means the Company.
<b>Citation Aus</b>	means Citation Resources Aus Pty Ltd ACN 158 939 774.
<b>Citation Operations</b>	means Citation Resources Operations Pty Ltd ACN 132 011 879.
<b>Closing Date</b>	means the closing date of the Offers as set out in the indicative timetable in the Investment Overview in Section 5 (subject to the Company reserving the right to extend the Closing Date or close the Offers early).
<b>Company</b>	means Citation Resources Ltd ACN 118 710 508 (Subject to Deed of Company Arrangement).
<b>Consideration Shares</b>	means the Securities to be issued to the Pearl Vendors in consideration for the Acquisition, being 80 million Shares (on a post-Consolidation basis).
<b>Consolidation</b>	means the consolidation of every 199 Shares into 7 Shares and every 199 Options into 7 Options.
<b>Constitution</b>	means the constitution of the Company.
<b>Convertible Note Agreement</b>	means the agreement in respect of Pearl Convertible Notes.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Creditors</b>	means those persons having a Claim against the Company which has been accepted by the Administrators.

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<b>Creditors' Trusts</b>	means the Landau Creditors' Trust, the Ordinary Unsecured Creditors' Trust, the Trust Creditors' Trust and the Shareholder Creditors' Trust.
<b>Creditors' Trust Deeds</b>	means the Landau Creditors' Trust Deed, the Ordinary Unsecured Creditors' Trust Deed, the Trust Creditors' Trust Deed and the Shareholder Creditors' Trust Deed.
<b>Deed Administrator Firm</b>	means KordaMentha, of Level 10, 40 St Georges Terrace, Perth WA 6000.
<b>Deed Administrators</b>	means Richard Tucker and Scott Langdon of the Deed Administrator Firm in their capacity as several administrators of the DOCA.
<b>Directors</b>	means the directors of the Company from time to time.
<b>DOCA</b>	means the Deed of Company Arrangement between the Company and the Proponents dated 27 February 2017.
<b>Exposure Period</b>	means the period of 14 days after the date of lodgement of the Original Prospectus with ASIC (being the original exposure period of 7 days, which period was extended by ASIC for a further 7 days pursuant to section 727(3) of the Corporations Act)..
<b>General Meeting</b>	means the general meeting of Shareholders held on 30 June 2017.
<b>Group</b>	means the Company and each of its controlled entities.
<b>Hyder Report</b>	means the report commissioned by the National Environment Protection Council, and prepared by Hyder Consulting in 2015.
<b>Investigating Accountant</b>	means Grant Thornton Corporate Finance Pty Ltd.
<b>Intellectual Property</b>	has the meaning given to that term in Section 9.2.
<b>Keshi</b>	means Keshi Technologies Pty Ltd ACN 608 957 259.
<b>Landau Creditors</b>	means the Creditors set out in Appendix A of the DOCA, being persons who applied for Shares under the Company's prospectus dated 23 October 2015 but who received neither Shares nor a refund of the application monies.
<b>Landau Creditors' Trust</b>	means the trust created by the Landau Creditors' Trust

	Deed.
<b>Landau Creditors' Trust Deed</b>	means the trust deed entered into by the Company and the Deed Administrators as Trustees, for and on behalf of the Landau Creditors.
<b>Lead Manager</b>	means Cadmon.
<b>Lead Manager Mandate</b>	means the mandate between the Company and Cadmon dated 19 June 2017 further details of which are in Section 9.3.
<b>Licence Agreement</b>	means the licence agreement between Pearl and Keshi as summarised in Section 9.2.
<b>Licensor</b>	means Keshi.
<b>Listing Rules</b>	means the official listing rules of ASX.
<b>New Option</b>	means an option to acquire a Share on the terms set out in Section 12.3(b).
<b>Notice of Meeting</b>	means the notice convening the General Meeting, as dispatched to Shareholders on 30 May 2017.
<b>Offer Period</b>	means the period commencing on the Opening Date and ending on the Closing Date.
<b>Offers</b>	means the offers of Securities under this Replacement Prospectus described in Section 6.
<b>Offer Conditions</b>	means those conditions set out in Section 2.1.
<b>Official List</b>	means the official list of ASX.
<b>Official Quotation</b>	means official quotation by ASX in accordance with the Listing Rules.
<b>Opening Date</b>	means the opening date of the Offers as set out in the indicative timetable in the Investment Overview in Section 4.
<b>Option</b>	means an option to acquire a Share.
<b>Other Offers</b>	has the meaning given to that term in Section 6.1.
<b>Ordinary Unsecured Creditors</b>	means the Creditors set out in Appendix B of the DOCA, being ordinary unsecured Creditors.
<b>Ordinary Unsecured</b>	means the trust created by the Ordinary Unsecured

<b>Creditors' Trust</b>	Creditors' Trust Deed.
<b>Ordinary Unsecured Creditors' Trust Deed</b>	means the trust deed entered into by the Company and the Deed Administrators as Trustees, for and on behalf of the Ordinary Unsecured Creditors.
<b>Original Prospectus</b>	means the prospectus issued by the Company on 10 July 2017.
<b>Pearl</b>	means Pearl Global Pty Ltd
<b>Pearl Convertible Notes</b>	means the non-interest bearing convertible notes issued by Pearl to the Pearl Noteholders in an aggregate principal amount of \$2,995,000, which notes are convertible into Shares as summarised in Section 9.9.
<b>Pearl Noteholders</b>	means the holders of the Pearl Convertible Notes as set out in Annexure B.
<b>Pearl Preliminary Funding</b>	means the financial accommodation to be provided by the Company to Pearl pursuant to the terms of the Pearl Loan Agreement.
<b>Pearl Loan Agreement</b>	means the Pearl Loan Agreement dated 10 May 2017 between the Company and Pearl for the provision of financial accommodation by the Company to Pearl by way of a loan, as summarised in Section 9.7.
<b>Pearl Vendors</b>	means those persons who hold shares in Pearl, as set out in Annexure A.
<b>Prospectus or Replacement Prospectus</b>	means this prospectus.
<b>Proponents</b>	means Andrew Drennan as trustee for the Drennan Family Trust, Bretnall Custodians Pty Ltd (ACN 091 315 516) as trustee for the Foster Family Trust, Erasmus Technologies Pty Ltd (ACN 119 948 793), Camina Pty Ltd (ACN 008 876 579) as trustee for the Cocks Family Trust, Ashelmeyer Pty Ltd (ACN 009 137 633) as trustee for the AH Nicols Family Trust and Greenlink Pty Ltd (ACN 604 799 439) as trustee for the Debsago Trust, each of which is a Pearl Vendor.
<b>Project</b>	has the meaning given in Section 3.
<b>Priority Offer</b>	has the meaning given to that term in Section 6.1.
<b>Public Offer</b>	has the meaning given to that term in Section 6.1

<b>Recapitalisation Proposal</b>	means the recapitalisation proposal described in Section 4.3.
<b>Relevant Interest</b>	has the meaning given to that term by section 608(1) of the Corporations Act, which provides that a person has a relevant interest in securities if they: <ul style="list-style-type: none"> <li>(a) are the holder of the securities; or</li> <li>(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or</li> <li>(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.</li> </ul>
<b>Section</b>	means a section of this Prospectus.
<b>Security</b>	means a Share and/or an Option and/or a Convertible Note and/or a New Option as the context requires.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Share Registry</b>	means Computer Share Investor Services Pty Limited.
<b>Shareholder</b>	means a holder of Shares.
<b>Shareholder Creditors</b>	means: <ul style="list-style-type: none"> <li>(a) the Pearl Vendors in respect of any Claim they have against the Company; and</li> <li>(b) any Creditor who has a Claim against the Company that: <ul style="list-style-type: none"> <li>(i) is subordinated by reason of section 563A of the Corporations Act; or</li> <li>(ii) are deemed so by the Deed Administrators in their absolute discretion.</li> </ul> </li> </ul>
<b>Shareholder Creditors' Trust</b>	means the trust created by the Shareholder Creditors' Trust Deed.
<b>Shareholder Creditors' Trust Deed</b>	means the trust deed entered into by the Company and the Deed Administrators as Trustees, for and on behalf of the Shareholder Creditors.
<b>TDU</b>	means thermal desorption unit.
<b>TRR</b>	means Tyre Resource Recovery Pty Ltd ACN 167 545 815.

<b>Trust Creditors</b>	means the Creditors:  (a) who subscribed for shares in the Company under the Company's prospectus dated 23 October 2015 and paid application moneys to be held on trust but never received shares in the Company nor a refund of the application moneys; or  (b) who are deemed so by the Deed Administrators in their absolute discretion.
<b>Trust Creditors' Trust</b>	means the trust created by the Trust Creditors' Trust Deed.
<b>Trust Creditors' Trust Deed</b>	means the trust deed entered into by the Company and the Deed Administrators as Trustees, for and on behalf of the Trust Creditors.
<b>Vendor Offer</b>	has the meaning given to that term in Section 6.1.
<b>WST</b>	means Western Standard Time as observed in Perth, Western Australia.

## Annexure A: Pearl Vendors

Name
Bretnall Custodians Pty Ltd (an associate of Gary Foster, a proposed Director)
Andrew Michael Drennan (a proposed Director)
O'Brien Investments Management Pty Ltd
Tampilo Pty Ltd
Goldzen Corporation Pty Ltd
Sci-Port Pty Ltd
Paris Asset Pty Ltd
Camina Pty Ltd
Toltec Holdings Pty Ltd
Seamont Holdings Pty Ltd
Erasmus Technologies Pty Ltd
Paul Stewart Dental Ceramics Pty Ltd
Ferncastle Holdings Pty Ltd
Ashelmeyer Pty Ltd
Greenlink Pty Ltd
Tand Superannuation Fund Pty Ltd
Paul Gerrard Higgins
Breemia Pty Ltd
Kedo (Aust) Pty Ltd
Jetland Investments Pty Ltd
Elliot Yeo
Golden Asset Pty Ltd
Benjamin Doolan
Terasse (WA) Pty Ltd
Bachilton Pty Ltd
Taylor-Made (WA) Pty Ltd
3 <sup>rd</sup> Reef Pty Ltd
David Bartley and Sarah Mitchell
Paul Geoffrey Mathews and Celyna Jade Mathews

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<b>Name</b>
Simon Jenkins and Zoe Jenkins
Michael Bernard Brennan and Kathleen Louise Brennan
Frank Murgia and Gillian Murgia
Westedge Investments Pty Ltd

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## Annexure B: Pearl Noteholders

Name
Hamish Hughes
Max Beauvais Pty Ltd <Max Beauvais Super>
Michael Stone
Carrick Roads Superannuation Fund
Ms Bess Annie Moraro
Urban Alcorp Pty Ltd <The Jo Rylance Family A/C>
PSTL Glendene Pty Ltd ATF PTSL Trust
Mrs Jody Suzanne Rybarczyk
Brett Dominguez
Karakale Pty Ltd ATF The Omerogullari Family Trust
CRS Partners Group Pty Ltd ATF CR Smith Family Trust
Harbour Asia Opportunity Master Fund
First Growth Funds Limited
Viking Wai Kin Kwok
South Creek Investments Limited
Rajesh Ramesh Melwani
Wymond Investments Pty Ltd
Mr Steven Lyle Hadjifotis and Msr Samantha Jane Gerard <Hudgies Family A/C>
Acelake Nominees Pty Ltd <Carter Super Fund A/C>
APH Enterprises Pty Ltd <Aaron Hogan Family A/C>
Coopers Lane Investments Pty Ltd <M&L Brown Family A/C>
Ms Miranda Clare Wood
Daniel Pryor & Associates Pty Ltd
Berne No 132 Nominees Pty Ltd <1253672 A/C>
Suetone Pty Ltd <The A K Shadforth Family a/c>
Red and White Holdings Pty Ltd <Blood Super Fund A/C>
John Storen Bailie
Mutual Trust Pty Ltd
Zedit Pty Ltd ATF The Pragastis Family Trust

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## Annexure C: Accounting policies

### (a) Basis of preparation

The financial information has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act. The financial information has been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### (b) Going concern

The financial statements for HY2017 have been prepared on the basis that the Company will continue to meet their commitments and can therefore continue its normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company has reported a net loss attributable to members for the period of \$0.46 million, cash outflows from operating activities of \$0.4 million, current assets at the end of the period of \$5.5 million and current liabilities of \$2.2 million.

The Directors believe that there are reasonable grounds to believe that the Company will be able to continue as a going concern, after consideration of the following factors:

- Upon implementation of the Recapitalisation Proposal, the Company will issue up to 25,000,000 shares (on a post consolidation basis) at an issue price of \$0.20 per share under the Prospectus to raise up to \$5 million; and
- As disclosed in the statement of financial position, on 2 December 2016, the Company finalised an agreement with Mr Peter Landau, an amount of \$2 million was advanced to the Company on 10 January 2017 by way of ex-gratia payment by a third party, to be held on trust for the purpose of making distributions to certain creditors of the Company (being certain persons who applied for shares under the Company's prospectus dated 23 October 2015 but who did not receive shares or a refund of the application monies, and other creditors) under the DOCA.

The Directors are confident that, subject to the achievement of the above matters, the Company will be able to continue its operations as a going concern.

### (c) Principles of Consolidation

The Company financial statements consolidate those of the parent company (Citation Resources Limited) and all of its subsidiaries (**Citation Companies**). The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between the Company Companies are eliminated on consolidation, including unrealised gains and losses on transactions between Citation Companies. Where unrealised losses on intra group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non controlling interests based on their respective ownership interests.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

**(d) Property, Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss statement during the reporting period in which they are incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset which is estimated to vary between 3 and 5 years.

**(e) Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility, the Company is able to use or sell the asset, the Company has sufficient resources, and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight line basis over the period of their expected benefit.

**(f) Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recorded at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in the profit or loss arising from derecognition of an intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected patterns of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

**(g) Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

**(h) Goods and Service Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

**(i) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

**(j) Borrowings**

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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**(k) Employee Entitlements**

Short term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Company does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period.

**(l) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the consolidated entity.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**(m) Provisions**

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

**(n) Trade and Other Receivables**

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less a provision for impairment. Other receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

**(o) Trade and Other Payables**

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the reporting period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

**(p) Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

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**(q) Share Based Payments**

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

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**Application Form**

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# How to complete this Application Form

**A Number of Shares applied for**  
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares (\$2,000.00). Applications for greater than 10,000 Shares must be in multiples of 2,500 Shares (\$500.00).

**B Application Monies**  
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the issue price of \$0.20.

**C Applicant Name(s)**  
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

**D Postal Address**  
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

**E Contact Details**  
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

**F CHES**  
Citation Resources Limited (Subject to Deed of Company Arrangement) will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Citation Resources Limited (Subject to Deed of Company Arrangement) and allocated a Securityholder Reference Number (SRN).

**G Payment**  
Make your **cheque, bank draft or money order** payable in Australian dollars to **'Citation Resources Limited (Subject to Deed of Company Arrangement)'** and cross it **'Not Negotiable'**. Cheques must be drawn from an Australian bank. Cash will not be accepted. The total payment amount must agree with the amount shown in Step B. Complete the cheque details in the boxes provided. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as dishonoured cheques may not be represented and may result in your Application being rejected. Paperclip (do not staple) your cheque to the Application Form. Receipts will not be forwarded. Funds **cannot** be directly debited from your bank account.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Citation Resources Limited (Subject to Deed of Company Arrangement) is upon and subject to the terms of the Prospectus and the Constitution of Citation Resources Limited (Subject to Deed of Company Arrangement), agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

## Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5.00pm AEST on the Closing Date. You should allow sufficient time for this to occur. Return the Application Form with cheque, bank draft or money order attached to:

**Computershare Investor Services Pty Limited, GPO Box 52, MELBOURNE VIC 3001**

Neither CIS nor Citation Resources Limited (Subject to Deed of Company Arrangement) accepts any responsibility if you lodge the Application Form at any other address or by any other means.

## Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

## Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Citation Resources Limited (Subject to Deed of Company Arrangement). At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund