CITATION RESOURCES LTD AND ITS SUBSIDIARIES

(Subject to Deed of Company Arrangement)

Financial Report 30 June 2017

ABN 90 118 710 508

Citation Resources Ltd
Level 1 , Wesley Central| 8-12 Market Street | FREMANTLE WA 6160
Phone: 08 9431 9888 | Fax: 08 9431 9800
www.citation.com.au

Contents

Corporate Directory

Citation Resources Ltd ABN 90 118 710 508

Directors

Mr Victor Turco
Non-Executive Director

Mr Bert Huys
Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Deed Administrators

Richard Tucker – appointed 27 February 2017
Scott Langdon – appointed 27 February 2017
Richard Tucker and Scott Langdon were formerly Voluntary Administrators – appointed on 20 September 2016

Company Secretary

Mr Phillip MacLeod – Appointed on 27 June 2017

Registered and Business Office
Level 1, Wesley Central
8-12 Market Street
Fremantle WA 6160

Deed Administrators Office
KordaMentha Restructuring
Level 10, 40 St Georges Terrace
Perth 6000
Western Australia, Australia

Share Registrar
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Tce
Perth, WA, Australia

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

Internet Address
www.citationresources.com.au

ASX Ticker Code
Shares – CTR
Listed options - CTROA

Operations Report

Highlights for 2017

- **Appointment of Voluntary Administrators and subsequently Deed Administrators to oversee the affairs of the Company.**
- **Appointment of Phillip MacLeod as Company Secretary.**
- **Settlement of claims against former director, Peter Landau.**
- **Settlement of claims made by Pearl Global Pty Ltd ('Pearl') and its shareholders.**
- **Execution of the Deed of Company Arrangement ('DOCA') providing for a recapitalisation of the Company.**
- **Agreement for the acquisition of 100% shares in Pearl has been signed anew.**
- **Shareholder approval obtained in respect of the Recapitalisation Proposal including those directly relating to the Acquisition during General meeting**
- **The Company is entering the final stage of the recapitalisation process and nearing completion.**

Citation Resources Limited (subject to deed of company arrangement) ('Citation' or the 'Company') (ASX: CTR) provides the following update on the progress of the administration of the Company.

Corporate

Appointment of Voluntary Administrators

On 20 September 2016, the Company announced that Voluntary Administrators have been appointed to oversee the affairs of the Company.

Richard Tucker and Scott Langdon, each of KordaMentha Restructuring, were appointed to act as joint and several Voluntary Administrators for the Company.

Settlement of claims against former director, Peter Landau

On 2 December 2016, the Company finalised an agreement with Mr Peter Landau, a former director of the Company to settle the Company's claim against him. Pursuant to that settlement, $2 million was paid to the Company on 10 January 2017 by way of ex-gratia payment from a third party. This amount was 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 a DOCA ('Ex-Gratia Payment').

Creditors' meeting and DOCA execution

As noted in the Company's announcement dated 18 October 2016, a Court order was obtained on that date to extend the period under which the Administrators were required to convene the second meeting of creditors to 25 January 2017. On that date, the Administrators were informed of a number of late changes to a DOCA which had been proposed, accordingly the Administrators applied to the Court for a further short extension of the convening period to allow for these changes to be reflected in the Administrators' report to creditors. The Court granted an order further extending the convening period to 2 February 2017.

The Administrators' Report to Creditors pursuant to section 439A of the Corporations Act 2001 (Cth) (the 'Act') was circulated on 2 February 2017. The Second Meeting of Creditors of the Company was held on 9 February 2017 pursuant to section 439A of the Act.

At the Second Meeting of Creditors, the creditors of the Company unanimously resolved that the Company should enter into a DOCA and creditors' trust deeds substantially in the form proposed by certain shareholders of Pearl. The DOCA was executed on 27 February 2017. Mr Tucker and Mr Langdon were appointed Deed Administrators of the Company on 27 February 2017.

At a third meeting of creditors held on 28 April 2017, the creditors of the Company unanimously resolved to vary the DOCA and allow a $1m loan facility to be provided to Pearl. This variation was executed on 18 May 2017.

Pearl Acquisition

Further to the execution of the DOCA providing for the recapitalisation of the Company, as announced on 30 May 2017, the Company entered into a new agreement for the acquisition of 100% of the shares in Pearl. Given the 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 on 30 June 2017.

The Company is into the final stage of its Recapitalisation process and awaiting receipt of confirmation from the ASX that the Company's securities will be reinstated to quotation on conditions acceptable to the Company. The expected date for re-quotation of the Company's shares on ASX is 18 December 2017.

In the prior year, due to administrative issues, the Company did not complete the proposed acquisition of the remaining 60% shareholding interest in Pearl by 30 June 2016 which triggered Pearl to buy back Citation's 40% shareholding in Pearl. Throughout FY17, the Company has worked with the Administrators on a potential recapitalisation of the Company, so that the Company may seek to maximise the opportunity presented by exploitation of the technology rights held by its related entity, Pearl.

In January 2017, the Company entered into a settlement with Pearl and its shareholders which provided for a mutual release of all claims under the agreement dated 25 November 2015 between the Company, Pearl and certain other parties in respect of the acquisition (in two stages) of the entire issued share capital of Pearl. As part of this Settlement, the Company's 40% shareholding in Pearl was transferred back to Pearl's shareholders in consideration of a cash payment of $3.3 million.

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 was approved by the Company's shareholders on 30 June 2017 and the consolidation 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).

(e) **New Licence Agreement.** The entry into of the New Licence Agreement in respect of the intellectual property which underpins Pearl's business. The New Licence Agreement was entered into on 23 June 2017.

(f) **Capital Raising.** The issue by the Company of 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 $5,000,000. The Capital Raising is to incorporate a priority offer to 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.

(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 of $2,995,000.

(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 director's 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 certain advisers, brokers and promoters in connection with the Recapitalisation Proposal at an issue price of $0.0001 per New Option.

(j) **Reinstatement to quotation.** The Company has, on 13 July 2017, madean application to the ASX for its Shares, the existing listed Options and the New Options to be reinstated to quotation on the ASX.

Amendment to DOCA to provide $1 million loan to Pearl

In May 2017, the DOCA was amended to provide for an initial $1 million loan to Pearl ('Pearl Loan') which is subject to the passing of the Recapitalisation resolutions at the General Meeting which occurred on 30 June 2017. The Pearl Loan accrues interest of 10% per annum. The Pearl Loan is payable within 5 months from the date of the 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.

Corporate

On 30 June 2017 the Company announced that, pursuant to the results of the AGM held on that day, 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.

LAR Farm Down

Citation had reached an agreement with Latin American Resources Limited ('**LAR**') whereby the Company reduced its ownership in LAR to 10% from 60%. In addition, the Company also had the option to acquire additional 5% interest by paying US$1 million within 12 months from completion of the agreement.

The Company did not exercise its option and forfeited its carried 10% holding interest in LAR as at 1 October 2016.

Significant changes are detailed under the ***Events after the reporting period*** section.

Directors' Report

The Directors present their report of Citation Resources Ltd for the year ended 30 June 2017.

The consolidated entities referred to hereafter as 'the Company' consist of Citation Resources Ltd and the entities controlled during and at the end of the period.

Principal Activities

The principal activity of the Company is the exploration and development of oil and gas blocks in Guatemala and Texas whilst also assessing additional opportunities such as waste disposal technologies with Pearl, given the decline in the oil and gas prices experienced in the past years.

The Pearl 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 commercialisation of an industrial process involving the reclamation of reusable and saleable products from used tyres/rubber in accordance with applicable environmental laws in Australia. Furthermore, the Pearl Acquisition involves a significant change to the size of the Company's business operations.

Company Information

Citation Resources Ltd is a company limited by shares, which is incorporated and domiciled in Australia.

Significant Changes in the State of Affairs

As stated above, the Pearl Acquisition involves a significant change to the nature of the Company's main business activity. Furthermore, the Pearl 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 given by Shareholders in Shareholders' General Meeting on 30 June 2017 and is currently awaiting ASX approval. The Company is into the final stage of its recapitalisation process and is awaiting receipt of confirmation from the ASX that the Company's securities will be reinstated to quotation on conditions acceptable to the Company. The expected date for re-quotation of the Company's shares on ASX is on 18 December 2017.

The Board will continue to review potential areas of activity that may create additional value to the Company. The Board will keep shareholders informed of any significant developments.

Financial Result

The consolidated loss of the Group for the year ended, 30 June 2017, amounted to $2,379,335 (2016: loss $13,877,908).

Dividends

No dividends have been paid or declared and no dividends have been recommended by the Directors.

Proceedings on behalf of the Company

During the year, whilst the Company was in Voluntary Administration, the creditors of the Company unanimously resolved that the Company should enter into a DOCA and creditors' trust deeds substantially in the form proposed by certain shareholders of Pearl. The DOCA was executed on 27 February 2017.

Environmental Regulation and Performance

Exploration and development activities in Australia are subject to State and Federal laws, principally the *Environmental Protection Act* and associated regulations in each State of operation.

During the period, the Board of Pearl has advised the Company that the Department of Environmental Regulation, Western Australia (DER) has granted a licence to operate its thermal desorption processing plant, currently located in Mogumber, Western Australia.

The Company has a policy of complying with its environmental performance obligations, and during the reporting period, there have been no significant known breach of statutory conditions or obligations.

Future Developments, Prospects and Business Strategies

As stated above, in the prior year, due to administrative issues, the Company did not complete the proposed acquisition of the remaining 60% shareholding interest in Pearl by 30 June 2016 which triggered Pearl to buy back Citation's 40% shareholding in Pearl. Upon the Company becoming aware of issues regarding accounting for certain monies, including funds subscribed pursuant to its Prospectus dated 23 October 2015, it initiated an investigation and engaged KordaMentha Forensic. The Company received an Independent Forensic Report from KordaMentha Forensic concerning the integrity of transactions involving approximately $2,000,000.

Following the appointment of Voluntary Administrators to the Company on 20 September 2016, the Company worked with the Voluntary Administrators on potential remedies and action for a recapitalisation of the Company, in order that the Company may seek to maximise the opportunity presented by exploitation of the technology rights held by its related entity, Pearl.

In January 2017, the Company entered into a settlement with Pearl and its shareholders which provided for a mutual release of all claims under the agreement dated 25 November 2015 between the Company, Pearl and certain other parties in respect of the acquisition (in two stages) of the entire issued share capital of Pearl. As part of this Settlement, the Company's 40% shareholding in Pearl was transferred back to Pearl's shareholders in consideration of a cash payment of $3.3 million.

Likely Developments

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.

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.

Directors' Report

Directors

The following persons were Directors of Citation Resources Ltd during the financial year:

Victor Turco	Non-Executive Director
Bert Huys	Non-Executive Director

Information on Current Directors

Mr 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 a wealth of experience both in Australia and overseas in the accounting, taxation, finance, corporate and property fields

During the three-year period to the end of the financial year, Mr Turco has been a Director of:

- Surefire Resources NL – appointed 21 June 2017

Mr Bert Huys – Non-Executive Director – appointed 19 January 2016

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.

Company Secretary Information

Mr Phillip MacLeod – appointed 27 June 2017

Mr MacLeod has more than 25 years of commercial experience and has held the position of company secretary with listed public companies since 1995. He has provided corporate, management and accounting advice to a number of Australian and international public and private companies involved in the resource, technology, property and healthcare industries.

Indemnification of Directors and Officers

Throughout the reporting period the Company has maintained Directors' and Officer's insurance for the purpose of covering losses which Directors and Officers may become legally obligated to pay. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under insurance contract.

In accordance with the Constitution, except as may be prohibited by the *Corporations Act 2001* every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

Meetings of Directors

During the period, 4 meetings of Directors were held. Attendances were as follows:

Director	Number of meetings held while a director	Number of meetings attended while a director
Victor Turco	4	4
Bert Huys	4	2

Given the size and nature of the Company's activities, the Board does not believe there are any marked efficiencies or enhancements that would be achieved by the creation of separate Nomination, Remuneration and Audit Committees composition of the board, the board as a whole addressed matters.

Directors' Interests

Unissued Shares Under Option

There are no unissued shares of the Company under option at the date of this report

Shares issued during or since the end of the year as a result of exercise

There are no shares issued to the directors of the Company as a result of exercise of options at the date of the report.

Remuneration Report (Audited)

The goals of the Company's remuneration policy are to:

- Ensure that reward for performance is competitive and that employees are committed and motivated;
- Align executive compensation with achievement of strategic objectives and the creation of value for shareholders; and
- Comply with relevant legislation and general market remuneration practices.

Executive Directors

Executive Directors are entitled to receive a Base Fee. Remuneration for Executive Directors is benchmarked against a comparable pool of companies and is determined by the Board. As the Company is still in the exploration and development stage and is not making profits, there is no relationship between executive director remuneration and Company performance.

Non-Executive Directors

Non-Executive Directors are entitled to receive a Base Fee. Remuneration for Non-Executive Directors is benchmarked against a comparable pool of companies and reviewed on an annual basis. Remuneration is determined by the Board and takes into consideration the need to obtain suitably qualified independent Directors.

Remuneration of Non-Executive Directors is approved by the Board and set in aggregate with the maximum amount approved by the shareholders.

The Key Management Personnel of the Company include the Non-Executive Directors and the Company Secretary. The Company does not consider other executives to be Key Management Personnel.

The Key Management Personnel of the Company during the financial year are:

- Victor Turco, Non-Executive Director – appointed 1 December 2015
- Bert Huys, Non-Executive Director – appointed 19 January 2016
- Phillip MacLeod, Company Secretary – appointed 27 June 2017

Voting and comments made at the Company's last Annual General Meeting

The Company received 87.4% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2017.
The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four (4) financial years:

Item	2017	2016	2015	2014	2013
EPS (cents)	(0.90)	(8.20)	(0.91)	(0.61)	(0.15)
Dividends (cents)	N/A	N/A	N/A	N/A	N/A
Net (loss) ($)	(2,379,335)	(14,308,858)	(20,162,255)	(8,028,406)	(517,003)
Share price (at 30 June)	$0.05**	$0.05**	$0.09 *	$0.009	$0.017

* Noting a 100:1 share consolidation occurring in May 2015

** Noting trading halt since 19 February 2016

Details of Remuneration

2017	Short Term Employee Benefits (Cash Salary and Fees)	Post-Employment Benefits (Superannuation)	Termination Benefits (Superannuation Benefits)	Share Based Payment Options Benefits	Total
Directors					
Victor Turco	9,000	-	-	-	9,000
Bert Huys	9,000				9,000
Total	18,000	-	-	-	18,000

2016	Short Term Employee Benefits (Cash Salary and Fees)	Post-Employment Benefits (Superannuation)	Termination Benefits (Superannuation Benefits)	Share Based Payment Options Benefits	Total
Directors					
Victor Turco[1]	21,000	-	-	-	21,000
Bert Huys[2]	15,000				15,000
Anthony Eastman[3]	30,000	-	-	-	30,000
Brett Mitchell[4]	50,000	-	-	-	50,000
Peter Landau[5]	18,000	-	-	-	18,000
Total	134,000	-	-	-	134,000

[1] Appointed 1 December 2015
[2] Appointed 19 January 2016
[3] Resigned 17 May 2016
[4] Resigned 1 December 2015
[5] Resigned 19 January 2016

No portion of remuneration was performance based in the reporting period.

Equity Instrument Disclosures Relating to Key Management Personnel

Aggregate numbers of shares of the Group held directly, indirectly or beneficially by Directors of the Group during the financial year are set out below:

Ordinary Shares

Director	Held at 1 July 2016	Issued	Other changes	Sold	Held at the date of this report
Victor Turco[1]	3,335,290	-	-	-	3,335,290
Bert Huys[2]	-	-	-	-	-
Total	3,335,290	-	-	-	3,335,290

[1] Appointed 1 December 2015
[2] Appointed 19 January 2016

Listed Options

Director	Held at 1 July 2016	Issued	Other changes	Sold	Held at the date of this report
Victor Turco[1]	500,000	-	(500,000)	-	-
Bert Huys[2]	-	-	-	-	-
Total	500,000	-	(500,000)	-	-

[1] Appointed 1 December 2015, options expired 30 June 2017
[2] Appointed 19 January 2016

During the current year no options were granted or vested that affected key management personnel remuneration.

These options have expired on 30 June 2017 and have an exercise price of $0.05. There are no other vesting conditions in relation to these options.

Transactions with other Related Parties

Directors and officers or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial and operating policies of those entities.

Details of those transactions at the end of the year are as follows:

			Transactions		Balances	
Entity	**Note**	**Nature of transactions**	**Full year 30-Jun-17 $**	**Full year 30-Jun-16 $**	**Full year 30-Jun-17 $**	**Full year 30-Jun-16 $**
Turco & Co Pty Ltd	(i)	Payable from CTR for corporate administration costs	295,300	246,218	45,755	44,000
Sibella Capital Pty Ltd	(ii)	Payable from CTR for corporate administration costs	-	50,000	-	-
Okap Ventures Pty Ltd	(iii)	Payable from CTR for corporate administration costs	-	128,551	-	-
Okap Ventures Pty Ltd	(iii)	Corporate / administration and company secretarial expense	-	240,000	-	-

(i) Turco & Co Pty Ltd is a company associated with Mr Victor Turco with Turco & Co providing corporate advisory, company secretarial, CFO, financial management and associated services.

(ii) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.

(iii) Okap Ventures is a company associated with Mr Peter Landau with Okap providing corporate advisory, company secretarial, CFO, financial management and associated services.

Details of Employment Agreements

The Directors are retained by the Company and are paid a fixed fee for their services. No termination benefits exist.

Non-Executive and Executive Director tenure is subject to rotation and shareholder re-appointment.

The Company Secretary is a consultant engaged by the Company. No termination benefits exist, other than the contractually-agreed notice period specified in the relevant consultancy agreement.

This is the end of the Audited Remuneration Report

Directors' Report

Matters Subsequent to the End of the Financial Year

Between the end of the financial period and the date of this report the following material events have occurred:

Original Prospectus
The Company released a prospectus to the market on 11 July 2017 ('the Original Prospectus'), for the purpose of raising $5 million by way of issuing 25,000,000 ordinary shares at $0.20 each. The Prospectus also provides for the Vendor Offer and the Other Offers (as defined in the Original Prospectus). In addition to the purpose of raising funds under the Public Offer, the Original Prospectus was 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.

Consolidation of issued capital
A consolidation of the ordinary shares of the Company was completed on 12 July 2017. The consolidation consolidated every 199 shares into 7 shares and every 199 Options into 7 Options. This consolidation was in line with the details provided in the notice of meeting lodged with ASX and mailed to shareholders on 30 May 2017. A resolution was passed on 30 June 2017 for the consolidation to be completed.

Appendix 1A Application lodged
The Company lodged an Appendix 1A application with ASX on 13 July 2017, for the Company to be relisted ('the Relisting Application').

Replacement Prospectus
Following the release of the Original Prospectus, the Company released areplacement prospectus on 21 August 2017 ('the Replacement Prospectus') to replace the Original Prospectus. This contained additional information on the offers being made by the Company. The Opening Date of the Offers was 21 August 2017.

Supplementary Prospectus
The Company released a supplementary prospectus on 4 October 2017 which constituted a 'refresh document' for the purposes of the ASIC corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70. That extended the closing date of the Offers to 8 November 2017 such that the Offers remain open as at the date of this report.

Finalisation of the Recapitalisation of the Company
The Company is currently completing all requirements to allow ASX to approve the Relisting Application, and is in the final stages of its recapitalisation process. The Pearl Acquisition and issue of securities under the prospectus are expected to complete by around mid December 2017 with the expected date for re-quotation of the Company's shares on ASX being 29 December 2017.

Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the Board supports and adhere to the principals of corporate governance, and has adopted a set of policies for the purpose of managing this governance.

Non-Audit Services

The Board has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

At balance date an amount of $42,500 was due and payable to a related entity of Grant Thornton Audit Pty Ltd in relation to the review of the Investigating Accountants Report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, for the financial year ended 30 June 2017 has been received and be found on page 14.

This report is signed in accordance with a resolution of the Directors.

Victor Turco

Director

25 October 2017, at Perth, Western Australia

Grant Thornton

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration to the Directors of Citation Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Citation Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 25 October 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
Other income	4	85	434,736
Accounting and audit		(169,839)	(70,156)
Professional and consultancy fees		(321,350)	(779,687)
Directors fees		(18,000)	(134,000)
Regulatory expenses		(49,403)	(87,117)
Impairment – exploration assets		-	(689,812)
Impairment – investment in associate	11	-	(4,660,000)
Loss on conversion of loan		-	(478,497)
Borrowing costs	5	-	(19,548)
Administrative expenses	5	(1,820,828)	(873,139)
Loss before tax		**(2,379,335)**	**(7,357,220)**
Income tax expense	7	-	-
Loss for the year		**(2,379,335)**	**(7,357,220)**
Discontinued operations			
Loss on discontinued operations	6	-	(6,520,688)
Loss attributable to equity holders of Citation Resources Ltd		**(2,379,335)**	**(13,877,908)**
Other comprehensive income for the year			
Foreign currency translation		-	-
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive loss for the year		**(2,379,335)**	**(13,877,908)**
Net loss is attributable to:			
Owners of Citation Resources Ltd		(2,379,335)	(13,877,908)
Non-controlling interests		-	-
		(2,379,335)	**(13,877,908)**
Total comprehensive loss is attributable to:			
Owners of Citation Resources Ltd		(2,379,335)	(13,877,908)
Non-controlling interests		-	-
		(2,379,335)	**(13,877,908)**
Loss per share attributable to the owners of Citation Resources Ltd:			
Basic & diluted loss per share (cents per share)	8	(0.90)	(7.96)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	770,159	626,518
Trade and other receivables	10	1,087,434	2,000,000
		1,857,593	2,626,518
Non-current assets held for sale	11	-	3,300,000
Total current assets		1,857,593	5,926,518
Total assets		1,857,593	5,926,518
LIABILITIES			
Current Liabilities			
Trade and other payables	14	434,903	139,043
Other current liabilities	15	-	1,390,450
Borrowings	16	-	595,000
Total current liabilities		434,903	2,124,493
Net assets		**1,422,690**	**3,802,025**
EQUITY			
Issued Capital	17	47,483,386	47,483,386
Options reserve	17	1,679,717	1,679,717
Share based payment reserve	17	1,517,387	1,517,387
Accumulated losses	18	(49,257,800)	(46,878,465)
Capital and reserves attributable to owners of the Parent		1,422,690	3,802,025
Total equity		**1,422,690**	**3,802,025**

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

CONSOLIDATED EQUITY 30 JUNE 2017	Issued capital	Option reserve	Share based payment reserve	Accumulated losses	Total equity
	$	$	$	$	$
At 1 July 2016	47,483,386	1,679,717	1,517,387	(46,878,465)	3,802,025
Loss for the year	-	-	-	(2,379,335)	(2,379,335)
Total comprehensive loss for the year	-	-	-	(2,379,335)	(2,379,335)
At 30 June 2017	47,483,386	1,679,717	1,517,387	(49,257,800)	1,422,690

CONSOLIDATED EQUITY 30 JUNE 2016	Issued capital	Option reserve	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$
At 1 July 2015	36,668,838	769,829	1,517,387	2,446,884	(33,000,557)	8,402,381	4,247,527	12,649,908
Loss for the year	-	-	-	-	(7,357,220)	(7,357,220)	-	(7,357,220)
Total comprehensive loss for the year	-	-	-	-	(7,357,220)	(7,357,220)	-	(7,357,220)
Shares issued during the period	11,244,357	-	-	-	-	11,244,357	-	11,244,357
Share issue costs	(429,809)	-	-	-	-	(429,809)	-	(429,809)
Share based payment expense	-	-	-	-	-	-	-	-
Fair value movement of options	-	909,888	-	-	-	909,888	-	909,888
Effects of deconsolidating LAR	-	-	-	(2,446,884)	(6,520,688)	(8,967,572)	(4,247,527)	(13,215,099)
At 30 June 2016	47,483,386	1,679,717	1,517,387	-	(46,878,465)	3,802,025	-	3,802,025

The above statement in changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	CONSOLIDATED 2017	CONSOLIDATED 2016
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(2,170,909)	(2,875,600)
Interest received		-	3,786
Net cash outflow from operating activities	19	(2,170,909)	(2,871,814)
Cash flows from investing activities			
Payments for investment in associate	11	-	(3,000,000)
Net cash outflow from investing activities		-	(3,000,000)
Cash flows from financing activities			
Proceeds from issue of shares/share options		-	5,984,357
Share / share options issue costs		-	(396,502)
Funds held in trust	10 & 15	2,000,000	1,151,400
Creditor repayment as per DOCA	15 & 16	(1,985,450)	-
Proceeds from share buyback	11	3,300,000	-
Repayment of borrowings		-	(860,000)
Loan amount provided	10	(1,000,000)	-
Net cash inflows from financing activities		2,314,550	5,879,225
Net increase /(decrease) in cash and cash equivalents		143,641	7,411
Cash and cash equivalents at the beginning of the financial year		626,518	619,107
Cash and cash equivalents at the end of the financial year	9	770,159	626,518

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Corporate Information

The financial statements of Citation Resources Ltd for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of Directors on 24 October 2017 and covers the consolidated entity consisting of Citation Resources Ltd and its subsidiaries (the Group) as required by the Corporations Act 2001.

Citation Resources Ltd is a company limited by shares incorporated in Australia.

2. Summary of Significant Accounting Policies

In order to assist in the understanding of the financial statements, the following summary explains the material accounting policies that have been adopted in the preparation of the financial statements.

(a) Basis of Preparation

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial statements have 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. The Company is a for profit entity for the purposes of preparing financial statements. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Statement of Compliance

The financial statements comply with Australian Accounting Standards and, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Going Concern

The Group has incurred a net loss after tax for the year ended 30 June 2017 of $2,379,335 (2016: $13,877,908). As at the 30 June 2017, the Group reported an operating cash outflows of $2,170,909 (2016: net working capital $2,871,814).

The Directors believe that there are reasonable grounds to believe that the Group 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 $5,000,000. The Capital Raising is to incorporate a priority offer to 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.;
- On 18 May 2017, the DOCA was amended to provide for an initial $1 million loan to Pearl which is subject to the passing of the Recapitalisation Resolutions at the General Meeting which occurred in 30 June 2017. The Pearl Loan accrues an interest of 10% per annum. The Pearl Loan is payable within 5 months from the date of the 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.

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 on 30 June 2017.

The Directors are confident that, subject to the completion of the Recapitalisation Proposal and receipt of confirmation from the ASX that the Company's securities will be reinstated to quotation on conditions acceptable to the Company along with the support of its Shareholders, the Group will be able to continue its operations as a going concern.

Should the Company be unable to raise sufficient funding through the Recapitalisation Process and other matters noted above, there is a material uncertainty as to whether the Company will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

(d) Principles of Consolidation

The Group financial statements consolidate those of the Parent Company (Citation Resources Limited) and all of its subsidiaries as of 30 June 2017. 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 Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group 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 Group.

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 Group. The Group 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 Group. They are deconsolidated from the date that control ceases.

(i) Functional and presentation currency

The financial statements are prepared in Australian Dollars which is the functional and presentation currency of the Company.

(e) Impairment of Assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

(f) 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 Group 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.

(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.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity respectively.

(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.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a net basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash follows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

(j) 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.

(k) 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(l) Employee Entitlements

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group 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 Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

(m) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the operating loss attributable to owners of the Group after income tax by the weighted average number of ordinary shares outstanding during the financial period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the period.

(n) 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.

Revenue from the sale of oil and gas and related products is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership and the amounts can be measured reliably. In the case of oil, this usually occurs at the time of lifting.

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

(o) 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.

(p) Foreign Currency Translations and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

(q) 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.

(r) Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group 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.

(s) Contributed Equity

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

(t) Acquisition of Assets

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

(u) 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.

(v) New Accounting Standard and Interpretations

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Information on these new standards which are relevant to the Group is presented below.

- ***AASB 9 Financial Instruments (December 2014) : Superseded pronouncement AASB 139 Financial Instruments: Recognition and Measurement***

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

Note that ASIC has included the disclosure of the impact of AASB 9 as a key focus area for the 30 June 2017 reporting season, so it is important for Directors to ensure that 30 June 2017 financial reports disclose the specific impact of AASB 9.

The effective date is for annual reporting periods beginning on or after 1 January 2018

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

- ***AASB 16 Leases : Superseded pronouncement AASB 117 Leases Int. 4 Determining whether an Arrangement contains a Lease Int. 115 Operating Leases—Lease Incentives Int. 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease***

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases

- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

3. Critical Accounting Estimates and Judgements

In preparing these financial statements the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred Tax Assets

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

(ii) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. There were no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

Notes to the Financial Statements

4. OTHER INCOME

	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
Interest and other income is comprised as follows:		
Interest income	85	3,786
Other income(1)	-	430,950
Total other income	85	434,736

(1) During the year, loan holders agreed to an adjusted settlement amount under the DOCA. The DOCA contains everything that the parties have agreed on in relation to the matters it deals with. No party can rely on an earlier document, or anything said or done by another party (or a director, officer, agent or employee of that party), before the DOCA was executed. The Loan Holders accepted their entitlements under the DOCA in full satisfaction and complete discharge of their claims.

5. EXPENSES

	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
Loss includes the following specific expenses:		
Corporate and administrative expenses		
Rent and occupancy	29,609	17,493
Travel expenses	-	147,294
Insurance expenses	33,166	22,241
Marketing expenses	5,375	33,410
Administrator fee	862,246	-
Legal fees	874,251	368,622
Other expenses	16,181	284,079
Total corporate and administrative expenses	1,820,828	873,139
Finance costs		
Interest expense	-	19,548
Total financing costs	-	19,548

6. DISCONTINUED OPERATIONS

During the prior year, the Company reached an agreement with Latin American Resources Ltd ("LAR") whereby the company reduced to its interest in LAR to 10% from 60%. The Group has deconsolidated its interest in LAR to recognise the following loss on discontinued operations.

	30-June-2016 $
Consideration received:	
Cash	Nil
Fair value of retained interest	2,000,000
	2,000,000
Less:	
Other comprehensive income recognised in the profit and loss	(5,267,209)
Carrying amount of net assets upon deconsolidation	11,787,897
	(4,520,688)
Impairment of asset [1]	(2,000,000)
Total loss on discontinued operations	**(6,520,688)**

[1]Refer to notes 12 and 13

7. TAXATION

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Loss before income tax	(2,379,335)	(13,877,908)
Prima facie benefit on loss from continuing activities at 30% tax rate (2016: 30%)	(713,800)	(4,163,372)
Tax effect of amounts which are not deductible in calculating taxable income:		
Entertainment	-	-
Share based payment		
Overseas travel	-	147,294
Tax effect of current year tax losses for which no deferred tax asset has been recognised	713,800	4,016,078
Total income tax expense	-	-
The following deferred tax balances have not been recognised:		
Deferred tax assets (at 30%):		
Carry forward revenue losses	9,215,512	8,501,712
Carry forward capital losses	3,159,036	3,159,036
Capital raising costs	290,593	290,593
Provisions and accruals	6,037	6,037
	12,671,178	11,957,377

The tax benefits of the Deferred Tax Assets will only be obtained if:

(a) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) The Company continues to comply with the condition for deductibility imposed by law; and

(c) No changes in income tax legislation adversely affect the Company in utilising the tax benefits

Deferred tax liabilities (at 30%):		
Exploration, evaluation and development costs	-	-
Accrued interest	-	-
	-	-

The above Deferred Tax Liabilities have not been recognised as they have given rise to carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

8. LOSS PER SHARE

	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
(a) Basic earnings per share		
Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate basic earnings per share	2,379,335	13,877,908
(b) Diluted earnings per share		
Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate diluted earnings per share	2,379,335	13,877,908

	CONSOLIDATED 2017 Number of Shares	CONSOLIDATED 2016 Number of Shares
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share [(1)]	262,984,008	174,442,133
Loss per share attributable to owners of the Company:		
Basic loss per share (cents per share)	(0.90)	(7.96)
Diluted loss per share (cents per share)	n/a	n/a

[(1)] The total weighted average number of shares has been calculated on a pre-consolidation basis, noting the Company completed a 100:1 consolidation of capital during May 2015.

Options being potential shares are not considered dilutive and have not been used to calculate diluted loss per share.

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
Cash at bank - Australia	770,159	626,518
Balance at the end of the year	770,159	626,518

(a) Cash at Bank

Amounts held in the Group's cheque and online savings accounts attract variable rates commensurate with a business cheque and online savings account.

(b) Short Term Deposits

The Company does not hold short term deposits

10. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Trade receivables	-	-
GST refundable	87,434	-
Other receivables [(1)] [(2)]	1,000,000	2,000,000
Balance at the end of the year	1,087,434	2,000,000

[(1)] Other receivables during the year consist of amount loaned to Pearl. On 18 May 2017, the DOCA was amended to provide for an initial $1 m loan to Pearl which is subject to the passing of the Recapitalisation Resolutions at the General Meeting which occurred in 30 June 2017. The Pearl Loan accrues an interest of 10% per annum. The Pearl Loan is payable within 5 months from the date of the 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.

[(2)] Other receivables from prior year consist of receivable from Peter Landau, a former Director of the Company. During the year, the Company finalised an agreement with Mr. Peter Landau to settle the Company's claims against him. An amount of $2 million was paid 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 under a deed of company agreement.

11. NON-CURRENT ASSET HELD FOR SALE

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Opening balance	3,300,000	-
Equity component purchase price	-	4,960,000
Cash component purchase price	-	3,000,000
Impairment of investment	-	(4,660,000)
Proceeds from share buyback	(3,300,000)	-
Balance at the end of the year	**-**	**3,300,000**

During the prior year, the Company completed the initial acquisition of a 40% equity interest in Pearl by the issuance of 80m CTR shares as approved by shareholders and a $3m capital injection into Pearl.

Due to administrative issues, the Company did not complete the acquisition of the remaining 60% shareholding interest in Pearl by 31 December 2016 which triggered Pearl to buy back Citation's 40% shareholding in Pearl as per agreement. As a result, an impairment of $4,660,000 on the investment is recorded in the profit and loss and the investment is reclassified as non-current asset held for sale for $3.3m, being the amount recoverable.

In January 2017, the Company entered into a settlement with Pearl and its shareholders which provided for a mutual release of all claims under the agreement dated 25 November 2015 between the Company, Pearl and certain other parties in respect of the acquisition (in two stages) of the entire issued share capital of Pearl. As part of this Settlement, the Company's 40% shareholding in Pearl was transferred back to Pearl's shareholders in consideration of a cash payment of $3.3 million.

Payment of $3.3 million to the Company was made in January 2017.

Further to the execution of the DOCA providing for the recapitalisation of the Company, in May 2017, the Company entered into a new agreement for the acquisition of 100% of the shares in Pearl.

12. DEVELOPMENT ASSETS

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Balance at the beginning of the year	-	2,438,961
Deconsolidation of subsidiary [(1)]	-	(2,438,961)
Balance at the end of the year	-	-

(1) During the prior year, the group has deconsolidated its interest in Latin American Resources upon reaching an agreement whereby Citation is discharged of its rights, liabilities or obligations under the Investment Management Agreement. As recognition of the role played by Citation in the development of LAR, Citation will retain a non-contributing (finance carried) 10% shareholding in LAR. The shares in LAR will be held in escrow, until and unless Citation will exercise its option to acquire a further 5% (also non-contributing and finance carried) interest in LAR for the payment of US$1m on or before 1 November 2016. The Company relinquished its rights to the 10% LAR holding as at 1 October 2016.

13. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Exploration and evaluation		
Balance at the beginning of the year	-	10,375,713
Deconsolidation of subsidiary [(1)]	-	(10,375,713)
Balance at the end of the year	-	-

[(1)] During the prior year, the group has deconsolidated its interest in Latin American Resources upon reaching an agreement whereby Citation is discharged of its rights, liabilities or obligations under the Investment Management Agreement. As recognition of the role played by Citation in the development of LAR, Citation will retain a non-contributing (finance carried) 10% shareholding in LAR. The shares in LAR will be held in escrow, until and unless Citation will exercise its option to acquire a further 5% (also non-contributing and finance carried) interest in LAR for the payment of US$1m on or before 1 November 2016. The Company relinquished its rights to the 10% LAR holding as at 1 October 2016.

14. TRADE AND OTHER PAYABLES

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Trade payables	434,903	139,043
Total trade and other payables	434,903	139,043

The trade payables amount consists of related party payables of $45,755 (2016: $44,000)

15. OTHER CURRENT LIABILITIES

	CONSOLIDATED 2017	CONSOLIDATED 2016
Unissued shares	1,801,400	1,801,400
Less: adjustments as per DOCA	(410,950)	(410,950)
Creditors repayment as per DOCA	(1,390,450)	-
Balance at 30 June 2017	-	**1,390,450**

(i) During the prior year, unissued shares are part of oversubscriptions from October 2015 capital raising, for settlement under a DOCA.

During the year, the Company finalised an agreement with Mr. Peter Landau to settle the Company's claims against him. An amount of $2 million was re-paid 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 under the DOCA.

The DOCA contains everything that the parties have agreed on in relation to the matters it deals with. No party can rely on an earlier document, or anything said or done by another party (or a director, officer, agent or employee of that party), before the DOCA was executed.

The Creditors accepted their entitlements under the DOCA in full satisfaction and complete discharge of their claims.

16. BORROWINGS

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	**$**
Short term financing facility	615,000	615,000
Less: adjustment as per DOCA	(20,000)	(20,000)
Creditor repayment as per DOCA	(595,000)	-
Balance at 30 June 2017	-	**595,000**

During the prior period, loan holders agreed to an adjusted settlement amount of $1,365,000 which is fully payable in cash, plus 15,000,000 listed options exercisable at $0.05, expiring on 30 June 2017. A payment of $750,000 cash and allotment of 15,000,000 listed options were made in December 2015. The holder of the $400,000 loan issued a statutory demand seeking payment in the amount of $632,000. This was subsequently withdrawn and the proceedings were dismissed by consent with no order as to costs on 11 May 2016.

During the year, the Company finalised an agreement with Mr. Peter Landau to settle the Company's claims against him. An amount of $2 million was re-paid 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 under the DOCA.

The DOCA contains everything that the parties have agreed on in relation to the matters it deals with. No party can rely on an earlier document, or anything said or done by another party (or a director, officer, agent or employee of that party), before the DOCA was executed.

The Loan Holders accepted their entitlements under the DOCA in full satisfaction and complete discharge of their claims.

17. ISSUED CAPITAL

(a) Ordinary Shares as at 30 June 2017

	CONSOLIDATED 2017	CONSOLIDATED 2016	CONSOLIDATED 2017	CONSOLIDATED 2016
	No of shares	No of shares	$	$
Fully paid ordinary shares	262,984,008	262,984,008	47,483,386	47,483,386

Reconciliation of share movement	No of shares	Issue Price	Amount
Opening balance at 1 July 2016 (i)	**262,984,008**		**47,483,386**
No shares were issued during the year			
Total shares issued	**262,984,008**		**47,483,386**
Less share issue costs	-		-
Balance at 30 June 2017	**262,984,008**		**47,483,386**

Comparatives	CONSOLIDATED 2016	CONSOLIDATED 2015	CONSOLIDATED 2016	CONSOLIDATED 2015
	No of shares	No of shares	$	$
Fully paid ordinary shares	262,984,008	57,296,861	47,483,386	36,668,838

Reconciliation of share movement	No of shares	Issue Price	Amount
Opening balance at 1 July 2015 (i)	**57,296,861**		**36,668,838**
Shares issued as part of the 2:1 Shareholder Offer (ii)	123,687,147	$0.05	6,184,357
Shares issued as initial consideration to the acquisition of 40% interest in Pearl (iii)	80,000,000	$0.062	4,960,000
Shares issued upon exercise of options	2,000,000	$0.05	100,000
Total shares issued	205,687,147		11,244,357
Less share issue costs	-		(429,809)
Balance at 30 June 2016	**262,984,008**		**47,483,386**

(i) In the prior period, following the receipt of shareholder approval at the Company's EGM, the Company completed a consolidation of the capital on a 100:1 basis.

(ii) In November 2015, the Company completed its $6.15m capital raising by issuing 123,687,147 shares comprising the priority, top-up and public offer as approved by shareholders with significant number of oversubscriptions for shortfall and underwritten demand.

(iii) In December 2015, the Company issued 80,000,000 shares as consideration for the acquisition by the Company of an initial 40% shareholding interest in Pearl.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

17. ISSUED CAPITAL (CONT'D)

Reconciliation of option movement	No. of Options	Issue Price	Amount $
Opening balance at 1 July 2016	**34,417,500**		**1,679,717**
No options were issued during the year	-		-
Options expired during the year	(33,087,500)		-
Option reserve	1,330,000		**1,679,717**
Opening balance at 1 July 2016			**1,517,387**
Share based payment reserve			**1,517,387**
Balance at 30 June2017	**1,330,000**		**3,197,104**

Reconciliation of option movement	No. of Options	Issue Price	Amount $
Opening balance at 1 July 2015	**4,198,899**		**769,829**
CTRO listed options - expired	(2,781,399)	-	(583,006)
CTROA listed options – part of debt conversion	25,000,000	$0.035	875,000
CTROA listed options – free attaching	10,000,000	-	-
CTROA listed options – exercised	(2,000,000)	$0.050	(100,000)
Options fair market valuation			717,894
Option reserve			**1,679,717**
Opening balance at 1 July 2015			**1,517,387**
Share based payment reserve			**1,517,387**
Balance at 30 June2016	**34,417,500**		**3,197,104**

(b) Capital Management

The group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the group manages its capital by assessing the group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

The group is not subject to any externally imposed capital requirements.

18. ACCUMULATED LOSSES

	CONSOLIDATED 2017 $	CONSOLIDATED 2016 $
Accumulated losses at the beginning of the financial year	(46,878,465)	(33,000,557)
Loss attributable to the owners of Citation Resources Ltd	(2,379,335)	(7,357,220)
Loss on discontinued operations	-	(6,520,688)
Accumulated losses at the end of the financial year	(49,257,800)	(46,878,465)

Notes to the Financial Statements

19. CASH FLOW INFORMATION

(a) Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Loss for the year	(2,379,335)	(7,357,220)
Adjustments for non-cash movements:		
Depreciation and amortisation	-	-
Exploration, evaluation and development expenditure	-	689,812
Loss on loan conversions	-	478,497
Prior year adjustments	-	(31,354)
Impairment charge	-	4,660,000
Non-cash borrowing costs	-	19,548
Change in operating assets and liabilities		
(Increase) / decrease in trade and other debtors	(87,434)	1,288,298
Increase / (decrease) in trade and other creditors	295,860	(2,619,395)
	(2,170,909)	(2,871,814)

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Short-term benefits	18,000	134,000
Total	18,000	134,000

(b) Other transactions with key management personnel

Other than in relation to directors' fees as disclosed above there were no other transactions with key management personnel.

(c) Transactions with other Related Parties

Directors and officers or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial and operating policies of those entities.

Details of those transactions at the end of the year are as follows:

			Transactions		Balances	
Entity	Note	Nature of transactions	Full year 30-Jun-17 $	Full year 30-Jun-16 $	Full year 30-Jun-17 $	Full year 30-Jun-16 $
Turco & Co Pty Ltd	(i)	Payable from CTR for corporate administration costs	295,300	246,218	45,755	44,000
Sibella Capital Pty Ltd	(ii)	Payable from CTR for corporate administration costs	-	50,000	-	-
Okap Ventures Pty Ltd	(iii)	Payable from CTR for corporate administration costs	-	128,551	-	-
Okap Ventures Pty Ltd	(iii)	Corporate / administration and company secretarial costs	-	240,000		-

Notes to the Financial Statements

20. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(i) Turco & Co Pty Ltd is a company associated with Mr Victor Turco with Turco & Co providing corporate advisory, company secretarial, CFO, financial management and associated services.

(ii) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.

(iii) Okap Ventures is a company associated with Mr Peter Landau with Okap providing corporate advisory, company secretarial, CFO, financial management and associated services.

21. COMMITMENTS

The Company has no commitments as at the date of this report.

22. CONTINGENT ASSETS AND LIABILITIES

The Directors are not aware of any contingent liabilities or contingent assets of the Company.

23. RELATED PARTY TRANSACTIONS

(a) Parent Entities

The ultimate parent entity within the Group is Citation Resources Ltd, which at 30 June 2017 owns 100% of the issued ordinary shares of Citation Resources Operations Pty Ltd, incorporated in Australia, and 100% of the issued ordinary shares of Citation Resources Aus Pty Ltd (formerly called Citation Resources Pty Ltd), incorporated in Australia.

(b) Transactions with Related Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(d):

Name of entity	Country of Incorporation	Class of shares	Equity holding 2017	Equity holding 2016
Parent Entity:				
Citation Resources Limited				
Subsidiaries of Citation Resources Limited:				
Citation Resources Operations Pty Ltd	Australia	Ordinary	100%	100%
Citation Resources Inc[1]	USA	Ordinary	-	100%
Citation Resources Aus Pty Ltd (formerly Citation Resources Pty Ltd.)[2]	Australia	Ordinary	100%	100%

[1] There has been no activity in Citation Resources Inc in the current year. This subsidiary has been deregistered.

[2] Citation Resources Aus Pty Ltd was acquired on 1 October 2012.

Entity	Relationship	Amount owed 30-Jun-17 $	Amount owed 30-Jun-16 $
<u>*Subsidiaries of Citation Resources Limited*</u>			
Citation Resources Operations Pty Ltd	A wholly owned subsidiary	-	-
Citation Resources Inc.[1]	A wholly owned subsidiary	-	-
Citation Resources Aus Pty Ltd (formerly Citation Resources Pty Ltd.)	A wholly owned subsidiary	-	-

[1] There has been no activity in Citation Resources Inc in the current year. This subsidiary has been deregistered.

24. REMUNERATION OF AUDITORS

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Amounts due and receivable by Grant Thornton Audit Pty Ltd		
Audit and audit review services	87,290	77,258
Non-assurance services paid/payable to a related entity of Grant Thornton Audit Pty Ltd	42,500	-
Total remuneration to Grant Thornton	129,790	77,258

25. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

The group holds the following financial instruments:

	CONSOLIDATED 2017	CONSOLIDATED 2016
	$	$
Financial Assets		
Cash and cash equivalents	770,159	626,518
Loans and receivables	1,000,000	2,000,000
Financial liabilities		
Trade and other payables	434,903	1,529,493
Borrowings	-	595,000

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents.

The Group is in early exploration stages, so there are no significant concentrations of credit risk. The Group ensure the use of leading investment institutions in terms of managing cash.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Cash flow and interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk. The Group has therefore, assessed its interest rate risk as low.

The following sets out the Group's exposure to interest rate risk:

2017	Floating interest rate $	1 year or less $	Over 1 to 5 years $	Non interest bearing $	Total $	Weighted average interest rate %
Financial assets						
Cash at bank	770,159	770,159	-	-	770,159	2.1%
Financial liabilities						
Borrowings	-	-	-	-	-	-

2016	Floating interest rate $	1 year or less $	Over 1 to 5 years $	Non interest bearing $	Total $	Weighted average interest rate %
Financial assets						
Cash at bank	626,518	626,518	-	-	626,518	2.1%
Financial liabilities						
Borrowings	595,000	595,000	-	-	595,000	10%

The Group has minimal exposure to interest rate risk other than reductions/increases in interest earned should the rates decrease/increase respectively. As an indication of possible sensitivity to changes in interest rates a 10% movement in interest rates, would increase/decrease the annual amount of interest received by $1,617 (2016: $1,316).

Fair Value Estimation

The fair value of financial assets and financial liabilities are assumed to approximate their carrying values due to their short term nature.

26. SEGMENT INFORMATION

Management has determined the operating segments are based on reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors considers the business from a geographic perspective and have identified the below reportable segments:

During the year, the Company does not have any segments other than Australia (parent-entity transactions) which are reflected under the Parent Entity Note 28.
Below are the prior year Geographical Segments:

Geographical Segment			30 June 2016 (Comparatives)		
	$	$	$	$	$
	Latin America (Discontinued)	Texas	Tyre Recycling (Australia)	Other	Consolidated
Results					
Income	-	-	-	3,786	3,786
Loss for the period	(6,520,688)	-	(4,660,000)	(2,697,220)	(13,877,908)
Comprehensive loss for the period	(6,520,688)	-	(4,660,000)	(2,697,220)	(13,877,908)
Assets					
Segment assets	-	-	3,300,000	2,626,518	5,926,518
Total assets	-	-	3,300,000	2,626,518	5,926,518
Liabilities					
Segment liabilities	-	-	-	2,124,493	2,124,493
Total liabilities	-	-	-	2,124,493	2,124,493
Other Segment Information					
Depreciation	-	-	-	-	-
Impairment of exploration & development	(2,000,000)	(689,812)	(4,660,000)	-	(7,349,812)

27. SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

In the prior year, the group has deconsolidated its interest in Latin American Resources upon reaching an agreement whereby Citation is discharged of its rights, liabilities or obligations under the Investment Management Agreement. As recognition of the role played by Citation in the development of LAR, Citation previously held a non-contributing (finance carried) 10% shareholding in LAR. The shares in LAR were held in escrow, unless Citation were to exercise its option to acquire a further 5% (also non-contributing and finance carried) interest in LAR for the payment of US$1 million on or before 1 November 2016.

The Company did not exercise its option to extend its interest in LAR, hence relinquished its rights to the 10% LAR holding.

	Proportion of Ownership Interests and Voting Rights held by the NCI		Profit Allocated to NCI		Accumulated NCI	
	2017	2016	2017	2016	2017	2016
Name	%	%	$	$	$	$
Latin American Resources Limited	-	10%	-	-	-	-

Notes to the Financial Statements

28. PARENT ENTITY

The following information relates to the parent entity, Citation Resources Ltd. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

	PARENT 2017 $	PARENT 2016 $
Current assets	1,857,593	5,926,518
Non-current assets	-	-
Total assets	1,857,593	5,926,518
Current liabilities	434,903	2,124,493
Non-current liabilities	-	-
Total liabilities	434,903	2,124,493
Contributed equity	47,483,386	47,483,386
Accumulated losses	(49,257,800)	(46,878,465)
Options reserve	1,679,717	1,679,717
Share-based payment reserve	1,517,387	1,517,387
Total Equity	1,422,690	3,802,025
Loss for the year (1)	(2,379,335)	(13,877,908)
Other comprehensive income	-	-
Total comprehensive income for the year	(2,379,335)	(13,877,908)

(1) Prior year balance Includes the reflection of the asset impairment on Investment in Pearl.

The Parent entity has not entered into any guarantees, has no contingent liabilities or contractual commitments.

29. DIVIDENDS

There were no dividends paid or declared by the Group during the year.

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

Between the end of the financial period and the date of this report the following material events have occurred:

Original Prospectus

The Company released a prospectus to the market on 11 July 2017 ('the Original Prospectus'), for the purpose of raising $5 million by way of issuing 25,000,000 ordinary shares at $0.20 each. The Prospectus also provides for the Vendor Offer and the Other Offers (as defined in the Original Prospectus). In addition to the purpose of raising funds under the Public Offer, the Original Prospectus was 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.

Consolidation of issued capital

A consolidation of the ordinary shares of the Company was completed on 12 July 2017. The consolidation consolidated every 199 shares into 7 shares and every 199 Options into 7 Options. This consolidation was in line with the details provided in the notice of meeting lodged with ASX and mailed to shareholders on 30 May 2017. A resolution was passed on 30 June 2017 for the consolidation to be completed.

Appendix 1A Application lodged

The Company lodged an Appendix 1A application with ASX on 13 July 2017, for the Company to be relisted ('the Relisting Application').

30. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONT'D)

Replacement Prospectus

Following the release of the Original Prospectus, the Company released a replacement prospectus on 21 August 2017 ('the Replacement Prospectus') to replace the Original Prospectus. This contained additional information on the offers being made by the Company. The Opening Date of the Offers was 21 August 2017.

Supplementary Prospectus

The Company released a supplementary prospectus on 4 October 2017 which constituted a 'refresh document' for the purposes of the ASIC corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70. That extended the closing date of the Offers to 8 November 2017 such that the Offers remain open as at the date of this report.

Finalisation of the Recapitalisation of the Company

The Company is currently completing all requirements to allow ASX to approve the Relisting Application, and is in the final stages of its recapitalisation process. The Pearl Acquisition and issue of securities under the prospectus are expected to complete by around mid-December 2017 with the expected date for re-quotation of the Company's shares on ASX being 29 December 2017.

Directors' Declaration

1. In the opinion of the Directors of the Company:

   a The consolidated financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

      i Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

      ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Victor Turco

Director

25 October 2017, at Perth, Western Australia

Grant Thornton

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
to the Members of Citation Resources Limited

Report on the audit of the financial report

Qualified Opinion

We have audited the financial report of Citation Resources Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of Citation Resources Limited is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

As described in Note 10 of the financial report, the Company has recorded a receivable of $1,000,000 due from an entity which the Company is in the process of acquiring. We were unable to obtain sufficient appropriate audit evidence in respect to the recoverability or classification of this balance as at 30 June 2017.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention Note 2(c) in the financial statements, which indicates that the Group incurred a net loss of $2,379,335 and cash outflows from operations of $2,170,909 during the year ended 30 June 2017. As stated in Note 2(c), these events or conditions, along with other matters set forth in Note 2(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, we have determined that there are no other key audit matters to communicate in our report.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Grant Thornton

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Citation Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 25 October 2017

Corporate Governance Statement

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2^{nd} Edition).

In 2010, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2010 Amendments (2^{nd} Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2^{nd} Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website: 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;
- 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

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

Corporate Governance Statement

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.
- **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 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.

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 2001, 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.

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 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.

Corporate Governance Statement

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 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.

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:

(d) Media releases;

(e) Analyst briefings and presentations; and

(f) 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.

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.

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 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.

Additional ASX Information

Number of holders of equity securities (***post-consolidation***)

The shareholder information set out below was applicable as at 20 October 2017.

Ordinary shares

As at 20 October 2017, following the completion of the consolidation of the existing issued capital of the Company on a 7 for 199 basis, the issued capital comprised of 9,249,952 ordinary fully paid shares (ASX code: CTR) held by 1,684 holders.

Options

As at 20 October 2017, following the completion of the consolidation of the existing issued capital of the Company on a 7 for 199 basis, the Company had the following options available to be exercised:

- 23,567 unlisted options over ordinary shares with an exercise price of $14.21 each, exercisable on or before 31 January 2020;
- 11,608 unlisted options over ordinary shares with an exercise price of $11.37 each, exercisable on or before 31 January 2020; and
- 11,608 unlisted options over ordinary shares with an exercise price of $8.53 each, exercisable on or before 31 January 2020.

Distribution of holder's equity security

FULLY PAID ORDINARY SHARES (ASX: CTR)	
HOLDING	**NUMBER OF HOLDERS**
1 – 1,000	706
1,001 – 5,000	304
5,001 – 10,000	170
10,000 – 100,000	269
100,001 and over	235
TOTAL NUMBER OF HOLDERS	**1,684**

Substantial shareholders

ORDINARY SHAREHOLDER	FULLY PAID ORDINARY SHARES NUMBER
Bretnall Custodians Pty Ltd <The Foster Family A/C>	645,772
Mr Andrew Drennan <Drennan Family A/C>	471,350

Additional ASX Information

TOP 20 SHAREHOLDERS

Rank	Name	Units	% of Units
1	Bretnall Custodians Pty Ltd <The Foster Family A/C>	645,772	6.98
2	Mr Andrew Drennan <Drennan Family A/C>	471,350	5.10
3	Erasmus Technologies Pty Ltd	376,140	4.07
4	Ryan Nominees Pty Ltd <Prolific Super Fund A/C>	351,758	3.80
5	Kedo (Aust) Pty Ltd	302,512	3.27
6	Mr John Colin Loosemore + Mrs Susan Marjory Loosemore <Loosemore Super Fund A/C>	298,301	3.22
7	Tampilo Pty Ltd <The Yeo Family A/C>	269,547	2.91
8	Kedo (Aust) Pty Ltd	260,394	2.82
9	Mr Mario Michelle Giacci <The MM Giacci Family A/C>	232,160	2.51
10	Westedge Investments Pty Ltd <The PMB Fund A/C>	206,752	2.24
11	Bantry Holdings Pty Ltd <Bantry Family A/C>	184,230	1.99
12	Amaroo Holdings Pty Ltd <Flitton Family A/C>	175,879	1.90
13	ACP Investments Pty Ltd <A & L Pismiris S/F A/C>	140,703	1.52
14	3rd Reef Pty Ltd	137,784	1.49
15	Greenlink Pty Ltd <The Debsago A/C>	117,321	1.27
16	Lesuer Pty Ltd <PMB Super Fund A/C>	116,080	1.25
17	Mr Massimo Perotti + Mrs Annelle Francis Perotti <The Perotti Super Fund A/C>	105,527	1.14
18	Mr Kenneth Craig Stevenson	100,294	1.08
19	Joluk Investments Pty Ltd	91,457	0.99
20	Ferncastle Holdings Pty Ltd <The NJ Pinner Super Fund A/C>	89,045	0.96
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**4,673,006**	**50.52**
Total Remaining Holders Balance		**4,576,946**	**49.48**