

**Pearl Global Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company Details:**

Name of entity: Pearl Global Limited  
 ABN: 90 118 710 508  
 Reporting period: For the half-year ended 31 December 2018  
 Previous period: For the half-year ended 31 December 2017

**2. Results for Announcement to Market**

	<b>Increase/ (Decrease) %</b>	<b>Six months ended 31 December 2018</b>	<b>Six months ended 31 December 2017</b>
<b>Loss</b> from ordinary activities	218.75%	2,383,731	747,830
<b>Loss</b> before Interest and Tax ( <b>EBIT</b> ) from ordinary activities	218.05%	2,381,947	748,931
<b>Loss</b> from ordinary activities after tax attributable to the owners of Pearl Global Ltd	218.75%	2,383,731	747,830
<b>Loss</b> for the half-year attributable to the owners of Pearl Global Ltd	218.75%	2,383,731	747,830

The comparative information contained within this financial report is that of Pearl Global Management Pty Ltd and its subsidiaries.

*Dividends*

There were no dividends paid, recommended or declared during the current half-year period.

*Comments*

Refer to the Review of Operations on Page 2 of the attached Half-Yearly Report for the period ended 31 December 2018.

**3. Net tangible assets**

	<b>Reporting period in Cents</b>	<b>Previous period in Cents</b>
Net tangible assets per ordinary security	2.59	9.87

**4. Control gained over entities**

Not applicable.

**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period:* There were no dividends paid, recommended or declared during the current half-year period.

*Previous period:* There were no dividends paid, recommended or declared during the previous half-year period.

**7. Dividend reinvestment plans**

Not applicable.

**8. Audit qualification or Review**

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-Year Report.

**9. Attachments**

The Interim Report of Pearl Global Limited for the half-year ended 31 December 2018 is attached.

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**PEARL GLOBAL LIMITED AND ITS SUBSIDIARIES**

**Consolidated Interim Financial Statements**

**For the Half Year Ended 31 December 2018**

**ABN 90 118 710 508**

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## Corporate Directory

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**Pearl Global Ltd ABN 90 118 710 508**

### **Directors**

Mr Gary Foster (Executive Chairman)

Mr Andrew Drennan (Managing Director)

Mr Victor Turco (Non-Executive Director)

Mr Michael Barrett (Non-Executive Director) – appointed 6 August 2018

### **Company Secretary**

Mr Phillip Macleod

### **Registered Office**

16 Gympie Way

Willetton WA 6155

### **Business Office**

16 Gympie Way

Willetton WA 6155

### **Share Registrar**

Computershare Investor Services Pty Limited

Level 2

45 St Georges Terrace

Perth WA 6000

### **Auditors**

Grant Thornton Audit Pty Ltd

Level 43, Central Park

152 - 158 St Georges Terrace

Perth WA 6000

### **Internet Address**

[www.pearl-global.com.au](http://www.pearl-global.com.au)

### **Stock Exchange Listing**

Australian Securities Exchange

Home exchange: Perth, Western Australia

ASX Codes:

Shares – PG1

Listed Options - PG1OB

## Directors' Report

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The Directors present their report of Pearl Global Limited and its controlled entities ("the Group" or "the Company" or "Pearl") for the half year ended 31 December 2018 ("the period").

The Group consists of Pearl Global Ltd and the entities it controlled at any time during the period.

### DIRECTORS

The following persons were Directors of Pearl Global Ltd (formerly Citation Resources Ltd) during the half year and up to the date of the report:

Gary Foster	<i>Appointed as Executive Chairman</i>
Andrew Drennan	<i>Appointed as Managing Director</i>
Victor Turco	<i>Appointed as Non-Executive Director</i>
Michael Barrett	<i>Appointed as Non-Executive Director on 6 August 2018</i>

### REVIEW OF OPERATIONS

#### Highlights for the period

- **Secured offtake commitment for the sale of 100% of Pearl's fuel production and first commercial shipments completed during December 2018 quarter**
- **Two units fully commissioned and operating**
- **119 tonnes of waste tyres processed in under one month**
- **Streamlining and ramp up of production progressing well**
- **Maiden revenues received in December 2018 quarter**
- **Advancing solvent and degreaser products**

#### Pearl Global Operations

##### ***Malaysian refinery agrees to buy 100% of Pearl fuel production***

Pearl has successfully delivered its first 60,000 litres of fuel from its Stapylton site (ASX announcement 4 July 2018) to Hiap Huat, a Malaysian waste management and refinery company. Following this, Hiap Huat has agreed to receive all fuel produced by Pearl. The price will be based on a negotiated commercial pricing formula for fuel commodity MOPS 380 FOB based on the standards and volume of each shipment.

Subsequent to the period end, Pearl has confirmed a new sales order of 100 tonnes of fuel for delivery to Malaysia, of which 80 tonnes have already been exported.

##### ***Successful commissioning of two units and advancement to full time operations continues***

While not without its challenges, during the December 2018 quarter, Pearl successfully completed final commissioning and stage one of ramp up of the two Thermal Desorption Units (TDUs) at its Stapylton site.

With the successful commissioning of the TDUs, Pearl was able to recruit 3 new operators. As a result, the Stapylton site is now operating 24 hours a day on 4 day-on, 3 day-off rosters. The schedule involves the continuing development of processes to optimise and maximise the operation of the TDUs within the 96 hours per week currently allocated. The three day-off roster is required to provide workers adequate down time. During downtime, assessment of the TDU maintenance requirements and refining processes are reviewed, with a view to expand the "day-on" roster. Results in this regard have been positive. Accordingly, Pearl will commence the next stage of its hiring process and training of additional operators with the intention of further optimising rosters and approach 24/7 operations over the coming months.

Managing Director, Mr Andrew Drennan said that, *"One off capital expenditure and delays impacted our December quarter results but are now fully resolved. Over the last 12 months, capital of approximately \$1 million has been spent to ensure optimisation of our processes and products as well as development of the TDUs hardware and software design. Importantly, our improved modified process has enhanced our product further and there have been no material issues*

## Directors' Report

*with the operation of the TDU's themselves. Without committing this capital, our progression would have stagnated, so it was essential to move to successful commissioning.*

*Most importantly, our 2 TDUs are operating consistently well, and on a repeatable basis. The performance of the machines improves the longer they are on and our recent move to our 96-hour per week continuous roster has allowed a material increase in production, processing and commodity output volumes."*

### **Production, processing and new shipment of fuel oil: 15,000 used tyres processed**

Since the completion of hiring and initial training of new operators in mid-December 2018, and despite the Stapylton site being only in its first stage of ramp up, Pearl has successfully processed more than 119 tonnes of waste tyres or the equivalent of approximately 15,000 standard car tyres to the end of the December 2018 quarter. From this processing, fuel oil volumes exceeded 40% of the volume processed, in excess of Pearl's expectations of 35%.

### **Carbon char sales: advancement in coal replacement product**

Pearl has sent bulk samples of more than 20 tonnes of its carbon char product to a domestic customer who has since confirmed its acceptability as a coal replacement commodity. Bulk processing through a boiler system is currently being completed to assess the energy output of Pearl's coal replacement commodity which will then facilitate Pearl's final pricing negotiation in respect of the product. Initial feedback from the customer is that the energy performance is attractive.



**Figure 1: TDUs in operation at Stapylton**



**Figure 2: Delivery of carbon char leaving Stapylton site**

### **Advancing solvent and degreaser products**

After several months of laboratory and field testing, Pearl has settled on a unique formula that it believes will create high quality degreasers from the extraction of solvents from its fuel. With access to Hiap Huat's Malaysian refinery, it has been agreed to bulk test the refinement of solvents from Pearl's Tyre derived fuel on a commercial scale utilising the refinery.

### **Summary of December quarter activities**

During the December 2018 quarter, Pearl realised its maiden revenues. Approximately \$300,000 was spent on capital expenditure related to plant and equipment associated with performance improvement and safety of the facility. The previous quarter saw a similar amount spent. Whilst the total amount was more than budgeted, this expenditure was essential to enable Pearl to fully commission the Stapylton site and transition to an operating business with a demonstrable site. With a consistent operating site, Pearl is in a position to increase its volumes and revenues, meet all environmental and safety obligations, and to develop its planned business model.

Chairman Mr Gary Foster said that, "We know Pearl has a world changing process in dealing with the global issue of used tyres. We have successfully addressed a number of unforeseen challenges given we are at the frontier of this technology. We have now crystallised our vision of successfully commissioning and ramping up the TDU's. The TDU's are running, processing waste tyres, and producing saleable fuel, steel, carbon and gas products, all under the strictest global emission standards.

We have made further significant progress in securing an offtake commitment for all our fuels and being able to showcase consistency of production. We expect these results will provide the platform for us to develop our planned business model. We look forward to keeping the market informed as we enter the next exciting stage of our evolution."

## Directors' Report

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### Corporate

#### **Capricorn Society increases its strategic investment**

Capricorn Society Ltd (Capricorn) was established in 1975 and today boasts almost 18,000 automotive industry members, with a turnover exceeding AU\$1.6 Billion, making Capricorn the largest automotive cooperative in Australia.

During the year, Capricorn increased its strategic investment in Pearl by a further \$1.75 million by way of issue of 7,608,696 fully paid shares in Pearl at a price of \$0.23 per share.

The purpose of Capricorn's strategic investment is to continue the commercial development of Pearl's industrial degreaser following the success of workshop field trials thus far. The degreasers are manufactured from solvents refined from the raw oils being reclaimed from its unique tyre process.

#### **Appointment of Mr Michael Barrett**

Mr Michael Barrett was appointed as an independent Non-executive Director of Pearl on 6 August 2018. Mr Barrett was previously Chief Financial Officer for Rio Tinto's US energy business where he was instrumental in leading Rio Tinto's divestment and IPO as Cloud Peak Energy on the New York Stock Exchange.

Returning to Perth in 2015, Mr Barrett spent two years as National Lead Partner for Deloitte's Risk Advisory Energy and Resources practice where he specialised in corporate governance, board advisory and risk management.

More recently and prior to joining the board, Mr Barrett had been engaged as a consultant to Pearl and through this he has gained an understanding of the many facets of the business including operational plans and the scope of third-party interest in seeing Pearl's technology rolled out both locally and internationally. Mr Barrett was critical in helping Pearl move to 24/7 operations.

#### **R&D Tax Incentive**

In October, Pearl received its R&D tax incentive refund of \$722,350 for the financial year ended 30 June 2018. The R&D tax incentive is an Australian Government program under which companies receive cash refunds for a proportion of eligible expenditure on research and development.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Other than the activities referred to in the above Operations Report, as at the date of this report, no transaction or event of a material and unusual nature has been finalised which is likely, in the opinion of the Directors, to significantly affect the operations of the Company, the results of the operations, or the state of affairs of the Company in future financial years.

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.

### **EVENTS SUBSEQUENT TO REPORTING DATE**

Between the end of the financial period and the date of this report, the following material events have occurred. Please refer to ASX announcement of 20<sup>th</sup> February 2019 for details.

#### **Pearl to acquire Australian Tyre Processors Pty Ltd (ATP)**

Pearl has agreed to material terms to exercise its option to acquire Australian Tyre Processors Pty Ltd to secure supply lines and increase revenues.

The following are the agreed material terms of the acquisition of ATP:

1. Pearl has 30 days to complete its due diligence to its satisfaction in respect of ATP and its business
2. Pearl acquires ATP's business on completion free and clear from all encumbrances except for the shredding machine for which Pearl shall assume the lease obligations. Pearl will have the right to retain all income generated from ATP's business from day 1 of completion.
3. Pearl will pay cash consideration of \$600,000 (payable within 120 days of completion) and 1.5 million ordinary shares in Pearl.
4. The current Managing Director of ATP, Mr. Michael Carroll, will take up the role as Queensland Operations Manager at Pearl to assist with integrating ATP with Pearl and to manage the waste tyre collection arm of Pearl's business going forward.

## Directors' Report

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### ***\$1.63 million raised via Private Placement***

Pearl has completed a private placement of \$1.53 million, offered to sophisticated and professional investors through the issue of 10,199,997 fully paid ordinary shares in Pearl at \$0.15 each. The Chairman, Mr Gary Foster, has committed to subscribe a further \$100,000 to the private placement, subject to shareholder approval. The \$100,000 has been advanced as an unsecured loan until shareholder approval is received. Participants of the Private Placement have also been issued with one free unlisted option for every two placement shares, exercisable at \$0.23 and expiring 27 February 2020. Pearl will pay a capital raising fee of no more than 6% on the amount raised by brokers to the issue.

### ***Additional \$1 million capital raising in a Share Purchase Plan (SPP)***

Following the private placement, the Company has offered all existing shareholders the opportunity to subscribe for shares via an SPP on the same terms as the private placement, up to a total subscription of \$1m. Details of the SPP were announced on the 20<sup>th</sup> February 2019. At the date of the Directors report, the SPP is still underway.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

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



Director

27 February 2019

at Perth, Western Australia

## Auditor's Independence Declaration

To the Directors of Pearl Global Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Pearl Global Limited for the year ended 31 December 2018, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 27 February 2019

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2018

		CONSOLIDATED 31 Dec 2018	CONSOLIDATED 31 Dec 2017
	Note	\$	\$
Revenue	5	24,117	-
Other income		21,866	544,154
Operating expenses		(952,815)	(394,070)
Amortisation of intangible assets		(103,125)	(103,125)
Directors fees		(156,750)	(101,250)
Employee benefit expense		(347,480)	-
Professional and consultancy fees		(426,452)	(384,007)
Other expenses		(443,092)	(309,213)
<b>Loss before tax</b>		<b>(2,383,731)</b>	<b>(747,510)</b>
Income tax expense		-	(320)
<b>Loss for the period</b>		<b>(2,383,731)</b>	<b>(747,830)</b>
<b>Other Comprehensive Income/(Loss):</b>		<b>-</b>	<b>-</b>
		<b>(2,383,731)</b>	<b>(747,830)</b>
<b>Loss per share attributable to the owners of Citation Resources Ltd</b>			
Basic and diluted loss per share (cents per share)		(1.65)	(1.21)

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes to the consolidated interim financial statements.

## Consolidated Statement of Financial Position

As at 31 December 2018

	Note	CONSOLIDATED 31 Dec 2018 \$	CONSOLIDATED 30 June 2018 Restated \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		974,725	2,727,435
Trade and other receivables		167,914	1,066,555
<b>Total current assets</b>		<b>1,142,639</b>	<b>3,793,990</b>
<b>Non-Current Assets</b>			
Other non-current assets		85,000	-
Property, plant & equipment	6	2,260,630	2,425,316
Development assets	7	1,714,093	1,205,570
Other intangible assets		996,875	1,100,000
<b>Total non-current assets</b>		<b>5,056,598</b>	<b>4,730,886</b>
<b>Total assets</b>		<b>6,199,237</b>	<b>8,524,876</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		407,177	349,083
<b>Total current liabilities</b>		<b>407,177</b>	<b>349,083</b>
<b>Non-Current Liabilities</b>			
Deferred tax		1,028,323	1,028,325
<b>Total non-current liabilities</b>		<b>1,028,323</b>	<b>1,028,325</b>
<b>Total liabilities</b>		<b>1,435,500</b>	<b>1,377,408</b>
<b>Net assets</b>		<b>4,763,737</b>	<b>7,147,468</b>
<b>EQUITY</b>			
Contributed equity	8	12,156,494	12,156,494
Options reserves	9	4,607,713	4,607,713
Accumulated losses	10	(12,000,470)	(9,616,739)
<b>Total equity</b>		<b>4,763,737</b>	<b>7,147,468</b>

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

## Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2018

	Issued Capital	Options Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<b>At 1 July 2017</b>	<b>3,964,577</b>	-	<b>(4,896,480)</b>	<b>(931,903)</b>
Loss for the period	-	-	(747,830)	(747,830)
<b>Total comprehensive loss for the period</b>	-	-	<b>(747,830)</b>	<b>(747,830)</b>
<b>At 31 December 2017</b>	<b>3,964,577</b>	-	<b>(5,644,310)</b>	<b>(1,679,733)</b>
<b>At 1 July 2018</b>	<b>16,080,494</b>	<b>3,600</b>	<b>(8,936,626)</b>	<b>7,147,468</b>
Prior period adjustments	(3,924,000)	4,604,113	(680,113)	-
<b>At 1 July 2018 – Restated</b>	<b>12,156,494</b>	<b>4,607,713</b>	<b>(9,616,739)</b>	<b>7,147,468</b>
Shares issued during the period	80,500	-	-	80,500
Share issue cost	(80,500)	-	-	(80,500)
Loss for the period	-	-	(2,383,731)	(2,383,731)
<b>Total comprehensive loss for the period</b>	-	-	<b>(2,383,731)</b>	<b>(2,383,731)</b>
<b>At 31 December 2018</b>	<b>12,156,494</b>	<b>4,607,713</b>	<b>(12,000,470)</b>	<b>4,763,737</b>

The above consolidated statement in changes in equity should be read conjunction with the accompanying notes to the consolidated interim financial statements.

## Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2018

CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
	31-Dec-18	31-Dec-17
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	19,514	-
Payments to suppliers and employees	(2,036,599)	(1,663,738)
Tax refund from research and development	722,351	-
Interest received	2,824	1,421
<b>Net cash outflow used in operating activities</b>	<b>(1,291,910)</b>	<b>(1,662,317)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(21,622)	(68,687)
Payments for development asset	(439,178)	-
<b>Net cash outflow used in investing activities</b>	<b>(460,800)</b>	<b>(68,687)</b>
<b>Cash flows from investing activities</b>		
Proceeds from borrowings	-	750,000
<b>Net cash outflow used in investing activities</b>	<b>-</b>	<b>750,000</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,752,710)</b>	<b>(981,004)</b>
Cash and cash equivalents at the beginning of the financial period	2,727,435	1,121,639
<b>Cash and cash equivalents at the end of the financial period</b>	<b>974,725</b>	<b>140,635</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the consolidated interim financial statements.

## Notes to the Consolidated Interim Financial Report

### 1. CORPORATE INFORMATION

The financial report of Pearl Global Ltd and its controlled entities (“the Group” or “the Company”) for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 27 February 2019.

Pearl Global Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

**The comparative information contained within this financial report is that of Pearl Global Management Pty Ltd and its subsidiaries.**

Pearl Global Ltd (Pearl) (ASX:PG1) is a revolutionary tyre processing company that applies unique, next-generation thermal desorption technology to cleanly convert tyres into valuable secondary products. Pearl has Australia’s first and only environmental approvals for the thermal treatment of rubber and is in the process of ramping up its first commercial-scale production plant in Stapylton, Queensland.

Pearl’s technology is a significant advancement on other methods of processing waste tyres. It has low emissions, no hazardous by-products, requires no chemical intervention and is the only process that meets the standard emission criteria set by the Australian regulator for this type of technology. Tyres are not naturally degradable, with tyre fires and pollution becoming major causes for concern, Government bodies are increasingly seeking solutions for dealing with waste tyres, and Pearl’s technology provides a clean solution to this global problem.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### Basis of Preparation and Statement of Compliance

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2018 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and Corporations Act 2001.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of interim financial statements. The nature and effect of changes arising from these standards are summarised in the section below

Pearl Global Management Pty Ltd (formerly Pearl Global Pty Ltd) obtained control of Pearl Global Limited (formerly Citation Resources Limited) on 16 February 2018 in a reverse acquisition. As the former Citation Resources Limited was not a business, the transaction was not a business combination. These financial statements are prepared as a continuation of the former Pearl Global Pty Ltd using reverse acquisition principles.

#### New standards adopted as at 1 July 2018

##### *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

##### **AASB 9 Financial Instruments**

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an ‘expected credit loss’ model for impairment of financial assets.

The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

## Notes to the Consolidated Interim Financial Report

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### Changes in accounting policy and disclosure

Other than those identified above, there have been no other standards coming into effect for the first time during the half-year ended 31 December 2018.

### Accounting standards and interpretations issued not yet effective

#### 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.

Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular:

- lease assets and financial liabilities on the balance sheet will increase by \$416,466 and \$436,303 respectively (based on the facts at the date of the assessment)
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities

### Estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

### Going Concern

The Company has incurred a net loss after tax for the period of \$2,383,731 (31 December 2017: \$747,830). As at 31 December 2018, the Company reported an operating cash outflows of \$1,291,910 (31 December 2017 cash outflow of \$1,663,738). As at 31 December 2018, the Company reported net working capital of \$735,462.

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

- Subsequent to 31 December 2018, a Private Placement by the Company was completed and raised \$1.63 million. Details of the private placement were announced on 20<sup>th</sup> February 2019
- Following the private placement, the Company has offered all existing shareholders the opportunity to subscribe for shares via an SPP on the same terms as the private placement, up to a total subscription of \$1m. Details of the SPP were announced on the 20th February 2019. At the date of the Directors report, the SPP is still underway.
- The Company has commenced production at its Staplyton site to 24-hour a day on 4days-on, 3 days-off rosters. The schedule involves the continuing development of processes to optimise and maximise the operation of the TDUs within the 96 hours per week currently allocated. The improvement of machine performance has positioned the company to secure offtake commitments for its products. Subsequent to end of period, the Company has successfully delivered its first 60,000 litres of fuel and a new order of 100 tonnes of fuel has confirmed for delivery to Malaysia, of which 80 tonnes has already been exported. The Company

## Notes to the Consolidated Interim Financial Report

believes the going concern is dependent on the company reaching commercial production and revenue cashflows being achieved. As the Company continues to build on its operating performance, the operating revenue is expected to increase in the coming quarters.

If the Company is unable to continue as a going concern, it may be required to realise its assets and or settle its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

### 3. SEGMENT REPORT

The Company identifies its operating segment based on the reports reviewed by the board of directors that are used to make strategic decisions. The company only had the Stapylton as its operating site.

<b>31 December 2018</b>	<b>Stapylton</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Revenue</i>			
Sales to external customers	24,117	-	24,117
Other income	-	21,866	21,866
<b>Total segment revenue</b>	<b>24,117</b>	<b>21,866</b>	<b>45,983</b>
<i>Results</i>			
Segment results	1,547,313	836,418	2,383,731
<b>Total segment revenue</b>	<b>1,547,313</b>	<b>836,418</b>	<b>2,383,731</b>

<b>Assets and Liabilities as at 31 December 2018</b>	<b>Stapylton</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets as per the statement of financial position	5,597,182	602,055	6,199,237
Total liabilities as per the statement of financial position	1,006,694	59,287	1,065,981

#### COMPARATIVES

<b>31 December 2017</b>	<b>Stapylton</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Revenue</i>			
Sales to external customers	-	-	-
Other income	544,154	-	544,154
<b>Total segment revenue</b>	<b>544,154</b>	<b>-</b>	<b>544,154</b>
<i>Results</i>			
Segment results	747,510	-	747,510
	<b>747,510</b>	<b>-</b>	<b>747,510</b>

<b>Assets and Liabilities as at 30 June 2018</b>	<b>Stapylton</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets as per the statement of financial position	8,524,876	-	8,524,876
Total liabilities as per the statement of financial position	1,377,408	-	1,377,408

## Notes to the Consolidated Interim Financial Report

### 4. LOSS PER SHARE

	CONSOLIDATED 31-Dec-18	CONSOLIDATED 31-Dec-17
	\$	\$
<b>(a) Basic earnings per share</b>		
Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate basic earnings per share	2,383,731	747,510
<b>(b) Diluted earnings per share</b>		
Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate diluted earnings per share	2,383,731	747,510
	CONSOLIDATED 31-Dec-18	CONSOLIDATED 31-Dec-17
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share	145,180,484	61,270,884
Loss per share attributable to owners of the Company:		
Basic loss per share (cents per share)	(1.64)	(1.21)
Diluted loss per share (cents per share)	n/a	n/a

Options being potential shares are not considered dilutive and have not been used to calculate diluted loss per share (refer note 9: Options reserve).

### 5. REVENUE

For the last six months of 2018, revenue includes \$16,817 (31 December 2017: Nil) from sale of tyre derived steel, and \$7,300 (31 December 2017: Nil) as gate fee from shredded tyres.

	CONSOLIDATED 31-Dec-18	CONSOLIDATED 31-Dec-17
Revenue is comprised as follows:	\$	\$
Revenue from tyre derived steel	16,817	-
Gate fee from shredded tyres	7,300	-
Total revenue	24,117	-

### 6. PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED 31-Dec-18	CONSOLIDATED 30-Jun-18
	\$	\$
Cost	2,940,181	2,913,719
Accumulated depreciation	(679,551)	(488,403)
Balance at the end of the year	2,260,630	2,425,316

## Notes to the Consolidated Interim Financial Report

### 6. PROPERTY, PLANT & EQUIPMENT (continued)

Movements:

Balance at the beginning of the year	2,425,316	721,599
Additions	21,622	1,861,025
Depreciation	(186,308)	(157,308)
Balance at the end of the year	<u>2,260,630</u>	<u>2,425,316</u>

### 7. DEVELOPMENT ASSETS

	CONSOLIDATED 31-Dec-18 \$	CONSOLIDATED 30-Jun-18 \$
Cost	1,714,093	1,205,570
Accumulated depreciation	-	-
Balance at the end of the year	<u>1,714,093</u>	<u>1,205,570</u>

Movements:

Balance at the beginning of the year	1,205,570	985,235
Additions	508,523	220,335
Depreciation	-	-
Balance at the end of the year	<u>1,714,093</u>	<u>1,205,570</u>

### 8. CONTRIBUTED EQUITY

Ordinary shares as at 31 December 2018

	CONSOLIDATED 31-Dec-18 No of shares	CONSOLIDATED 30-Jun-18 No of shares	CONSOLIDATED 31-Dec-18 \$	CONSOLIDATED 30-Jun-18 \$
Fully paid ordinary shares	<u>145,180,484</u>	144,830,484	<u>12,156,494</u>	16,080,494

Reconciliation of share movement  
Opening balance at 1 July 2018

	No of shares	Issue Price	Amount
Opening balance at 1 July 2018	<u>144,830,484</u>		<u>16,080,494</u>
Share issue costs			(3,924,000)
<b>Opening balance at 1 July 2018 – Restated*</b>			<u>12,156,494</u>
Shares issued as consideration for advisory services	350,000	0.23	80,500
<b>Balance at 31 December 2018</b>	<u>145,180,484</u>		<u>12,236,994</u>
Less share issue costs	-		(80,500)
<b>Balance at 31 December 2018</b>	<u>145,180,484</u>		<u>12,156,494</u>

\*Restated: Please refer to Note 10

## Notes to the Consolidated Interim Financial Report

### 8. CONTRIBUTED EQUITY (continued)

<i>Comparative<sup>(1)</sup></i>	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	No of shares	No of shares	\$	\$
Fully paid ordinary shares	<b>61,270,884</b>	61,270,884	<b>3,964,577</b>	3,964,577
<b>Reconciliation of share movement</b>	<b>No of shares</b>		<b>Issue Price</b>	<b>Amount</b>
<b>Opening balance at 1 July 2017</b>	<b>61,270,884</b>			<b>3,964,577</b>
No shares were issued during the period	-		-	-
<b>Total shares issued</b>	<b>61,270,884</b>		-	<b>3,964,577</b>
Less share issue costs	-		-	-
<b>Balance at 31 December 2017</b>	<b>61,270,884</b>			<b>3,964,577</b>

<sup>(1)</sup>The comparative information contained within this note is that of Pearl Global Management Pty Ltd (formerly Pearl Global Pty Ltd) and its subsidiaries.

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.

### 9. OPTIONS RESERVE

#### Options reserve as at 31 December 2018

	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
	31-Dec-18	30-Jun-18	31-Dec-18	30-Jun-18
	No of options	No of options	\$	Restated*
				\$
Fully paid ordinary shares	<b>45,319,238</b>	45,319,238	<b>4,607,713</b>	<b>683,713</b>
<b>Reconciliation of share movement</b>	<b>No of options</b>		<b>Issue Price</b>	<b>Amount</b>
<b>Opening balance at 1 July 2018</b>	<b>45,319,238</b>			<b>3,600</b>
Option valuation adjustment	-		-	4,604,113
<b>Options Reserve at 1 July 2018 -Restated*</b>	<b>45,319,238</b>			<b>4,607,713</b>
No options were issued during the period	-		-	-
<b>Balance at 31 December 2018</b>	<b>45,319,238</b>			<b>4,607,713</b>

\*Restated: Please refer to Note 10

## Notes to the Consolidated Interim Financial Report

### 10. RESTATEMENT OF PRIOR PERIOD BALANCE

During 2018, the Group discovered that an option valuation in respect to the reverse acquisition had been omitted erroneously. The correction restates each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

	30-Jun-18 Previous Amount	Adjustment	30-Jun-18 Restated Amount
Contributed equity	16,080,494	(3,924,000) <sup>i</sup>	12,156,494
Options reserve	3,600	4,604,113	4,607,713
Accumulated losses	(8,936,626)	(680,113) <sup>ii</sup>	(9,616,739)
<b>Total equity</b>	<b>7,147,468</b>	-	<b>7,147,468</b>

- (i) **Issue of New Options to advisers, brokers and promoters.** The issue by the Company of up to 36,000,000 listed options to certain advisers, brokers and promoters in connection with the Recapitalisation Proposal at an issue price of \$0.0001 per option. The allotment was completed on 24 January 2018. The options are valued at 10.9 cents per option and are expiring on 24 January 2020.
- (ii) **Conversion of Pearl Convertible Notes.** The issue by the Company of 6,239,567 listed options to the Pearl Noteholders, on conversion of the Pearl Convertible Notes of \$2,995,000. The allotment was completed on 24 January 2018. The options are valued at 10.9 cents per option and are expiring on 24 January 2020.

### 11. CONTINGENT ASSETS AND LIABILITIES

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

### 12. 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:

#### ***Pearl to acquire Australian Tyre Processors Pty Ltd (ATP)***

Pearl has exercised its option to acquire Australian Tyre Processors Pty Ltd to secure supply lines and increase revenues.

The following are the agreed material terms of the acquisition of ATP:

1. Pearl has 30 days to complete its due diligence to its satisfaction in respect of ATP and its business
2. Pearl acquires ATP's business on completion free and clear from all encumbrances with the exception of the shredding machine for which Pearl shall assume the lease obligations. Pearl will have the right to retain all income generated from ATP's business from day 1 of completion.
3. Pearl will pay cash consideration of \$600,000 (payable within 120 days of completion) and 1.5 million ordinary shares in Pearl.
4. The current Managing Director of ATP, Mr. Michael Carroll, will take up the role as Queensland Operations Manager at Pearl to assist with integrating ATP with Pearl and to manage the waste tyre collection arm of Pearl's business going forward.

#### ***\$1.63 million raised via Private Placement***

Pearl has completed a private placement of \$1.53 million, offered to sophisticated and professional investors through the issue of 10,199,997 fully paid ordinary shares in Pearl at \$0.15 each. The Chairman, Mr Gary Foster, has committed to subscribe a further \$100,000 to the private placement, subject to shareholder approval. The \$100,000 has been advanced as an unsecured loan until shareholder approval is received. Participants of the Private Placement have also been issued with one free unlisted option for every two placement shares, exercisable at \$0.23 and expiring 27 February 2020. Pearl will pay a capital raising fee of no more than 6% on the amount raised by brokers to the issue.

**12. EVENTS AFTER THE END OF THE REPORTING PERIOD (continued)**

***Additional \$1 million capital raising in a Share Purchase Plan (SPP)***

Following the private placement, the Company has offered all existing shareholders the opportunity to subscribe for shares via an SPP on the same terms as the private placement, up to a total subscription of \$1m. Details of the SPP were announced on the 20<sup>th</sup> February 2019. At the date of the Directors report, the SPP is still underway.

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## Director's Declaration

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The Directors of the Company declare that:

1. The interim financial statements and notes, are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards AASB134 Interim financial reporting and the Corporations Regulations 2001;
  - b) give a true and fair view of the Company's and consolidated Group's financial position as at 31 December 2018 and their performance for the period ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, pursuant to s 303(5) of the Corporations Act.



Director

27 February 2019

at Perth, Western Australia

# Independent Auditor's Review Report

To the Members of Pearl Global Limited

Report on the review of the half year financial report

## Conclusion

We have reviewed the accompanying half year financial report of Pearl Global Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Pearl Global Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

## Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$2,383,731 during the half year ended 31 December 2018 and, as of that date, the Group reported an operating cash outflows of \$1,291,910. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pearl Global Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 27 February 2019