

**PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES**  
**A.B.N. 53 123 190 894**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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# PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

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## DIRECTORS' REPORT

Your Directors present their report on Pearl Global Pty Ltd ('the Company' or 'Pearl') for the financial year ended 30 June 2017.

### Directors

The names of the Directors in office at any time during or since the end of the year are:

- Mr Gary Foster
- Mr Andrew Drennan
- Mr Phil Erasmus

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

### Review of operations and financial results

The loss of the consolidated entity after accounting for income tax amounted to \$6,534,478 (2016: profit of \$2,397,548).

### Principal activities

The principal activities of the Company during the financial year were:

Pearl holds the exclusive worldwide licensing rights to a unique tyre recovery process which reclaims waste rubber back into its constituent parts being liquid hydrocarbon, high tensile steel, carbon char whilst also potentially converting the emitted waste gases to energy in an environmentally safe and productive manner to harness power generation (The Project). The plants (Thermal Desorption Units (TDU's)) built to recover these secondary products have a relatively low capital cost and operating expenditure especially considering that The Project is designed to achieve the strictest emission and efficiency standards.

The Project is a process by which end of life rubber (e.g. vehicle tyres or conveyor belt rubber) is converted into commercial by-products with comparatively low emissions (thereby limiting the environmental impact of the disposal of such used rubber) by virtue of a unique heating system which manages certain key elements within the thermal desorption process.

### Corporate affairs

#### *Pearl – Citation share sale agreement*

Further to the execution of the DOCA providing for the recapitalisation of Citation Resources Ltd ('Citation'), as announced on 30 May 2017, Citation 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 Citation's main business activity to be approved by Citation's Shareholders under ASX Listing Rule 11.1.2. This approval was obtained from Shareholders at the General Meeting on 30 June 2017.

Citation is into the final stage of its Recapitalisation process and awaiting receipt of confirmation from the ASX that Citation's securities will be reinstated to quotation on conditions acceptable to Citation. The expected date for re-quotation of Citation's shares on ASX is 29 December 2017.

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In the prior year, due to administrative issues, Citation 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, Citation has worked with the Administrators on a potential recapitalisation of Citation, so that Citation may seek to maximise the opportunity presented by exploitation of the technology rights held by its related entity, Pearl.

In January 2017, Citation 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 Citation, 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, Citation's 40% shareholding in Pearl was transferred back to Pearl's shareholders in consideration of a cash payment of \$3.3 million.

### ***Amendment to Citation Resources Ltd's DOCA to provide \$1m 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 Citation's application to have its Securities reinstated to quotation on the ASX or the Acquisition agreement is terminated in accordance with its terms.

### **Events arising since the end of the reporting year**

Between the end of the financial period and the date of this report the following material events have occurred between Pearl Global Pty Ltd and Citation Resources Ltd:

#### **Corporate**

##### ***Original Prospectus***

Citation Resources Ltd ('Citation') released a prospectus to the market on 10 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 is issued for the purposes of re-complying with the admission requirements under chapters 1 and 2 of the Listing Rules following a change in the nature and scale of Citation's activities.

##### ***Consolidation of issued capital***

A consolidation of the ordinary shares of Citation 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***

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

##### ***Replacement Prospectus***

Following the release of the Prospectus, Citation released a second prospectus on 21 August 2017 ('the Replacement Prospectus') to replace the Original Prospectus. This contained additional information on the offers being made by Citation. The Opening Date of the Offers was 21 August 2017 and the Offers remain open as at the date of this report.

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### ***Issue of \$750,000 Convertible Notes***

Pearl has issued an aggregate principal amount of \$750,000 of convertible notes to the Pearl Series B Noteholders. The notes were issued on 27 October 2017 and are not interest bearing. The terms of those notes provide that (amongst other conversion events), on the receipt of confirmation from the ASX that Citation's securities will be reinstated to quotation on conditions acceptable to Citation (acting reasonably), the notes will automatically convert into Shares at a deemed issue price of \$0.20 per Share (being the price per Share under the Capital Raising).

The notes were issued in order to provide working capital to Pearl in order to fund operational expenses and commitments over the extended anticipated period to completion of the Recapitalisation Proposal.

### ***Short-term loan***

Subsequent to year-end, Pearl borrowed an aggregate amount of \$263,000 as short-term loan, non-interest bearing and payable by 31 January 2018. The loan is used to provide working capital to Pearl.

### ***Finalisation of the Recapitalisation of Citation***

Citation 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 Replacement Prospectus are expected to complete by around mid December 2017 with the expected date for re-quotation of Citation's shares on ASX being 29 December 2017.

## **Future development, prospects and business strategies**

Information on likely developments in the operation of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## **Environmental issues**

The Project has 'Works Approval' from the Western Australian Government Department of Environment Regulation which has a bilateral agreement with the Environmental Protection Authority in Australia for enforcing policy.

## **Dividends paid or recommended**

No dividends were paid during the year.

## **Options**

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

## **Indemnity of auditors**

Pearl has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the consolidated entity or any related entity.

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### **Proceedings on behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to be 'Gary Foster', with a long horizontal stroke extending to the right.

Gary Foster  
Director

21 November 2017

PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED 2017 \$	CONSOLIDATED 2016 \$
Revenue	2	6,764	-
Other income	2	9,224	3,325,523
Administration costs	3	(2,574,837)	(1,767,385)
Cost of CTR share buyback	2(ii)	(3,300,000)	-
Amortisation of intangible asset	9	(206,250)	(137,500)
<b>(Loss)/ profit before tax</b>		<b>(6,065,099)</b>	<b>1,420,638</b>
Income tax (expense)/benefit	4	(469,379)	976,910
<b>(Loss)/ profit for the year</b>		<b>(6,534,478)</b>	<b>2,397,548</b>
Other Comprehensive Income/(Loss)		-	-
<b>Total Comprehensive Income/(Loss)</b>		<b>(6,534,478)</b>	<b>2,397,548</b>
Net loss is attributable to:			
Owners of Pearl Global Pty Ltd		<b>(6,534,478)</b>	2,397,548
Non-controlling interests		-	-
		<b>(6,534,478)</b>	<b>2,397,548</b>
Total comprehensive loss attributable to:			
Owners of Pearl Global Pty Ltd		<b>(6,534,478)</b>	2,397,548
Non-controlling interests		-	-
		<b>(6,534,478)</b>	<b>2,397,548</b>

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

PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2017

	Note	CONSOLIDATED 2017 \$	CONSOLIDATED 2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	1,121,639	2,074,561
Trade and other receivables	6	62,551	1,029,716
<b>Total current assets</b>		<b>1,184,190</b>	<b>3,104,277</b>
<b>Non-Current Assets</b>			
Property, Plant and equipment	7	721,599	855,698
Development assets	8	985,235	213,635
Intangible assets	9	1,306,250	1,512,500
<b>Total non-current assets</b>		<b>3,013,084</b>	<b>2,581,834</b>
<b>Total assets</b>		<b>4,197,274</b>	<b>5,686,111</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	664,798	83,536
Borrowings	11	3,995,000	-
<b>Total current liabilities</b>		<b>4,659,798</b>	<b>83,536</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability	12	469,379	-
<b>Total non-current liabilities</b>		<b>469,379</b>	<b>-</b>
<b>Total liabilities</b>		<b>5,129,177</b>	<b>83,536</b>
<b>Net assets</b>		<b>(931,903)</b>	<b>5,602,575</b>
<b>EQUITY</b>			
Contributed equity	13	3,964,577	3,964,577
Accumulated losses		(4,896,480)	1,637,998
<b>Total equity</b>		<b>(931,903)</b>	<b>5,602,575</b>

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

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Issued Capital	Retained Earnings	Total Equity		
	\$	\$	\$		
<b>CONSOLIDATED EQUITY</b>					
<b>At 1 July 2016</b>	<b>3,964,577</b>	<b>1,637,998</b>	<b>5,602,575</b>		
Loss for the year	-	(6,534,478)	(6,534,478)		
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>(6,534,478)</b>	<b>(6,534,478)</b>		
Shares issued	-	-	-		
<b>At 30 June 2017</b>	<b>3,964,577</b>	<b>(4,896,480)</b>	<b>(931,903)</b>		
<i>Comparatives</i>					
	Issued Capital	Accumulated Losses	Total	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$
<b>CONSOLIDATED EQUITY</b>					
<b>At 1 July 2015</b>	<b>3,953,945</b>	<b>(759,550)</b>	<b>3,194,395</b>	<b>10,632</b>	<b>3,205,027</b>
Loss for the year	-	2,397,548	2,397,548	-	2,397,548
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>2,397,548</b>	<b>2,397,548</b>	<b>-</b>	<b>2,397,548</b>
Effect of 100% ownership of subsidiaries	10,632	-	10,632	(10,632)	-
<b>At 30 June 2016</b>	<b>3,964,577</b>	<b>1,637,998</b>	<b>5,602,575</b>	<b>-</b>	<b>5,602,575</b>

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



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CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017

CONSOLIDATED	Note	CONSOLIDATED	CONSOLIDATED
		2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		6,764	351,202
Payments to suppliers and employees (inclusive of GST)		(1,979,556)	(1,756,513)
Tax refund from research and development		976,909	492,061
Interest received		9,224	25,523
<b>Net cash outflow used in operating activities</b>	15	<b>(986,659)</b>	<b>(887,727)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(638,593)	(1,096,332)
Payment in exchange of the right to use the IP for the tyre recycling technology		-	(1,000,000)
<b>Net cash outflow used in investing activities</b>		<b>(638,593)</b>	<b>(2,096,332)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	1,710,000
Funds received from Citation Resources Ltd		-	3,000,000
Payment for the CTR share buyback		(3,300,000)	-
Proceeds from borrowings		4,170,000	-
Borrowing costs		(197,670)	-
<b>Net cash provided by financing activities</b>		<b>672,330</b>	<b>4,710,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(952,922)</b>	<b>1,725,941</b>
Cash and cash equivalents at the beginning of the financial year		2,074,561	348,620
<b>Cash and cash equivalents at the end of the financial year</b>	5	<b>1,121,639</b>	<b>2,074,561</b>

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

# PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### **1 Statement of significant accounting policies**

The Directors' have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on a general purpose financial report. The financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the Company.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations.

Pearl Global Pty Ltd is a Company limited by shares, incorporated and domiciled in Australia. Pearl Global Pty Ltd is a for-profit entity for the purpose of preparing financial statements under Australian Accounting Standards.

#### **1.1 Basis of preparation**

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

#### **1.2 New and amended standards adopted by the Company**

The Company has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 July 2016.

None of the amendments have had a significant impact on the Company.

#### **1.3 Principles of Consolidation**

The Group financial statements consolidate those of the Parent Company (Pearl Global Pty Ltd) 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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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.

### **1.4 Going Concern**

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

The Group has reported a net loss attributable to members for the period of \$6,534,478 (30 June 2016: profit of \$2,397,548 ), cash outflows from operating activities of \$986,661 (30 June 2016: \$887,727 ).

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern considering the Group is in the process of completing the reverse acquisition of Citation Resources Ltd ('Citation'). Upon successful completion and approvals of the following factors:

- Upon implementation of the Recapitalisation Proposal, Citation 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 Citation'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 Citation'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 Citation's Shareholders under ASX Listing Rule 11.1.2. This approval was obtained from Shareholders at Citation's 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 Citation'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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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.

### **1.5 Significant accounting policies**

#### **(a) Income tax**

The income tax expense / (revenue) for the year comprises current income tax expense / (income) and deferred tax expense / (income). Current and deferred income tax expense / (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

#### **(b) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### **(i) Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction). Valuations are performed whenever the Directors believe there has been a material movement in the value of the assets.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the related revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

##### **(ii) Plant and equipment**

Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

#### **(c) Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of an

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intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. The Company amortises its Intangible assets using straight line method for 8 years, being the standard life of innovative patent in Australia.

**(d) Research and development**

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

**(e) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(f) 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.

**(g) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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NOTES TO THE FINANCIAL STATEMENTS  
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2 Revenue

	CONSOLIDATED 2017	CONSOLIDATED 2016
	\$	\$
<i>Revenue</i>		
Fees	6,764	-
<i>Other income</i>		
Interest income	9,224	25,523
Other income (i)	-	3,300,000
	<b>15,988</b>	<b>3,325,523</b>

In December 2015, the Citation Resources Ltd 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.

(i) Due to administrative issues, Citation 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.

(ii) In January 2017, Citation 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, Citation'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 Citation was made in January 2017.

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

3 Administration costs

	CONSOLIDATED 2017	CONSOLIDATED 2016
	\$	\$
Accountancy expenses	58,084	101,605
Professional and consultancy expenses	946,036	485,374
Legal costs	180,042	51,053
Travel expenses	56,456	164,609
Admin expenses	474,176	134,721
Borrowing costs	197,670	-
Other operating expenses	662,373	830,023
	<b>2,574,837</b>	<b>1,767,385</b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

4 Income tax

	CONSOLIDATED 2017	CONSOLIDATED 2016
	\$	\$
<b>Taxable (loss)/income before tax</b>	<b>(2,760,169)</b>	<b>928,507</b>
• current tax	-	(278,551)
• deferred tax	(469,379)	-
• refundable tax offsets	-	1,255,461
<b>Components of income tax (expense)/benefit</b>	<b>(469,379)</b>	<b>976,910</b>

Whilst Pearl have carried forward losses, it is conceivable that Pearl's ability to claim accrued tax losses as a result of the Recapitalisation/Pearl acquisition by Citation Resources Ltd may be lost.

5 Cash and cash equivalents

	CONSOLIDATED 2017	CONSOLIDATED 2016
	\$	\$
Cash	1,041,305	2,074,561
Bank guarantee	80,334	-
	<b>1,121,639</b>	<b>2,074,561</b>

The bank guarantee represents an amount equivalent to 3-months' rent plus GST in respect to the property in Stapylton, Queensland.

6 Trade and other receivables

	CONSOLIDATED 2017	CONSOLIDATED 2016
	\$	\$
Trade receivables	-	52,807
Provision for Income Tax refundable	-	976,909
GST refundable	62,551	-
	<b>62,551</b>	<b>1,029,716</b>

7 Property, plant and equipment

	CONSOLIDATED 2017	CONSOLIDATED 2016
	\$	\$
<b>Plant and equipment:</b>		
Cost	1,052,693	1,025,398
Accumulated depreciation	(331,094)	(169,700)
Accumulated impairment losses	-	-
<b>Total plant and equipment</b>	<b>721,599</b>	<b>855,698</b>

PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

A.B.N. 53 123 190 894

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**7 Property, plant and equipment (continued)**

**Movement**

Balance at the beginning of the year	855,698	104,486
Additions	27,295	58,339
Reclassified from Development Asset	-	845,566
Depreciation	(161,394)	(152,693)
Balance at the end of the year	<b>721,599</b>	<b>855,698</b>

**8 Development assets**

	CONSOLIDATED 2017 \$	CONSOLIDATED 2016 \$
<b>Development costs</b>		
Cost	985,235	213,635
Accumulated impairment losses	-	-
Total plant and equipment	<b>985,235</b>	<b>213,635</b>

**Movement**

Balance at the beginning of the year	213,635	671,208
Additions	771,600	387,993
Reclassified to PPE	-	(845,566)
Depreciation	-	-
Balance at the end of the year	<b>985,235</b>	<b>213,635</b>

**9 Intangible assets**

	CONSOLIDATED 2017 \$	CONSOLIDATED 2016 \$
<b>Global Licences</b>		
Cost	1,650,000	1,650,000
Accumulated amortisation	(343,750)	(137,500)
Total plant and equipment	<b>1,306,250</b>	<b>1,512,500</b>

The Company amortises its Intangible assets using straight line method for a period of 8 years, being the standard useful life of innovative patent in Australia.

**10 Trade and Other Payables**

	CONSOLIDATED 2017 \$	CONSOLIDATED 2016 \$
Trade payables	437,456	49,400
GST/PAYG payables	9,435	-
Accrued leave	8,771	-
Short-term loan	175,000	-
Other payables	34,136	34,136
Trade and Other Payables	<b>664,798</b>	<b>83,536</b>



PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

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NOTES TO THE FINANCIAL STATEMENTS  
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**11 Borrowings**

	CONSOLIDATED	CONSOLIDATED
	2017	2016
	\$	\$
Convertible note <sup>1</sup>	2,995,000	-
Other borrowings <sup>2</sup>	1,000,000	-
	<b>3,995,000</b>	<b>-</b>

<sup>1</sup>In January 2017, Pearl issued convertible notes for \$2,995,000. This will be settled through the issue of 18,718,750 Shares and 6,239,567 New Options (each on a post-Consolidation basis) in Citation Resources Ltd to the Pearl Noteholders.

<sup>2</sup>In May 2017, the Citation 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 Citation's application to have its Securities reinstated to quotation on the ASX or the Acquisition agreement is terminated in accordance with its terms.

**12 Deferred tax liability**

	CONSOLIDATED	CONSOLIDATED
	2017	2016
	\$	\$
<b>Opening balance at 1 July 2016</b>	-	-
Charged/(credited)		
- to profit or loss	469,379	-
<b>Balance at 30 June 2017</b>	<b>469,379</b>	<b>-</b>

**13 Issued capital**

	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
	2017	2016	2017	2016
	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>Opening balance at 1 July 2016</b>		<b>61,270,884</b>		<b>3,964,577</b>
Shares issued		-		-
<b>Total shares issued</b>		61,270,884		3,964,577
Less share issue costs		-		-
<b>Balance at 30 June 2017</b>		<b>61,270,884</b>		<b>3,964,577</b>

No shares were issued during the year.

PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

A.B.N. 53 123 190 894

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**13 Issued capital (continued)**

<b>Opening balance at 1 July 2015</b>	<b>51,193,190</b>	<b>3,953,945</b>
Shares issued for 100% TRR acquisition(i)	10,077,694	10,632
<b>Total shares issued</b>	<b>61,270,884</b>	<b>3,964,577</b>
Less share issue costs	-	-
<b>Balance at 30 June 2016</b>	<b>61,270,884</b>	<b>3,964,577</b>

(i) During the prior year, Pearl issued 10,077,694 shares as consideration for the acquisition of the remaining 16% shareholding interests in Tyre Resource Recovery Pty Ltd and Rubber Reclamation Pty Ltd.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**14 Contingent assets and contingent liabilities**

The Company has no contingent assets nor liabilities.

**15 Cash flow information**

	<b>CONSOLIDATED</b>	<b>CONSOLIDATED</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>(Loss)/ Income after income tax benefit for the year</b>	<b>(6,534,478)</b>	<b>2,397,548</b>
Non-cash flows in profit/loss:		
Depreciation	161,394	152,695
Deferred tax liability	469,379	-
Borrowing costs	197,670	-
Amortisation of intangibles	206,250	137,500
Income from financing activities	-	(3,000,000)
Loss from CTR share buyback under financing activities	3,300,000	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	967,165	(496,012)
(Decrease)/increase in trade and other payables	245,959	(79,458)
<b>Net cash from operating activities</b>	<b>(986,661)</b>	<b>(887,727)</b>

# PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

A.B.N. 53 123 190 894

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 16 Events after the reporting date

Between the end of the financial period and the date of this report the following material events have occurred between Pearl Global Pty Ltd and Citation Resources Ltd:

#### **Corporate**

##### ***Original Prospectus***

Citation Resources Ltd ('Citation') released a prospectus to the market on 10 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 is issued for the purposes of re-complying with the admission requirements under chapters 1 and 2 of the Listing Rules following a change in the nature and scale of Citation's activities.

##### ***Consolidation of issued capital***

A consolidation of the ordinary shares of Citation 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***

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

##### ***Replacement Prospectus***

Following the release of the Prospectus, Citation released a second prospectus on 21 August 2017 ('the Replacement Prospectus') to replace the Original Prospectus. This contained additional information on the offers being made by Citation. The Opening Date of the Offers was 21 August 2017 and the Offers remain open as at the date of this report.

##### ***Issue of \$750,000 Convertible Notes***

Pearl has issued an aggregate principal amount of \$750,000 of convertible notes to the Pearl Series B Noteholders. The notes were issued on 27 October 2017 and are not interest bearing. The terms of those notes provide that (amongst other conversion events), on the receipt of confirmation from the ASX that Citation's securities will be reinstated to quotation on conditions acceptable to Citation (acting reasonably), the notes will automatically convert into Shares at a deemed issue price of \$0.20 per Share (being the price per Share under the Capital Raising).

The notes were issued in order to provide working capital to Pearl in order to fund operational expenses and commitments over the extended anticipated period to completion of the Recapitalisation Proposal.

##### ***Short-term loan***

Subsequent to year-end, Pearl borrowed an aggregate amount of \$263,000 as short-term loan, non-interest bearing and payable by 31 January 2018. The loan is used to provide working capital to Pearl.

##### ***Finalisation of the Recapitalisation of Citation***

Citation 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 Replacement Prospectus are expected to complete by around mid December 2017 with the expected date for re-quotation of Citation's shares on ASX being 29 December 2017.

**PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES**

**A.B.N. 53 123 190 894**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**17 Company details**

The registered office of the Company is:

Pearl Global Pty Ltd  
Level 1, 8-12 Market Street  
Fremantle WA 6959

The principal place of business is:

Pearl Global Pty Ltd  
Level 1, 8-12 Market Street  
Fremantle WA 6959

## PEARL GLOBAL PTY LTD AND ITS SUBSIDIARIES

A.B.N. 53 123 190 894

### Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 20 fairly present the company's financial position as at 30 June 2017 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
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:



Gary Foster

Director

Dated the 21<sup>st</sup> day of November 2017

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## Independent Auditor's Report to the Members of Pearl Group Pty Ltd

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Pearl Group Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 year then ended, and comprising notes to the financial statements, including a summary of significant accounting policies and directors' declaration.

In our opinion, the accompanying financial report of Pearl Group Pty Ltd presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2017 and of its performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1.

#### Basis for Opinion

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 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 audit opinion.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to the financial report, which indicates the Group incurred a net loss of \$6,534,478 during the year ended 30 June 2017, and as of that date, the Group recorded a net asset deficiency of \$931,903. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

#### **Emphasis of Matter – Basis of Accounting and Restriction on Distribution**

We draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of the Company. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's Financial Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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.

#### **Responsibility of the Directors for the Financial Report**

The Directors of the Group are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies used and described in Note 1 to the financial report are appropriate to meet the needs of the Members. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

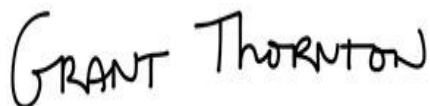
In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to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

The Directors are responsible for overseeing the Group's financial reporting process.

### 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M A Petricevic  
Partner - Audit & Assurance

Perth, 21 November 2017