

12 January 2016

Heads of Agreement to expand Pearl Global technology into Asian markets

- **Landmark agreement provides for US\$100 million finance facility to be established by JV partner for Pearl Global expansion**
- **Initial plans to fund 50 Pearl Global Thermal Desorption Plants located in 5 countries**
- **JV partner experienced operator and trader of carbons and fuels in Asia**
- **Opening of Singapore Trading Desk for control of bulk commodity sales**

The Directors of Citation Resources Ltd ('Citation' or the 'Company') (ASX: CTR) are pleased to announce the signing of a landmark Heads of Agreement ('HOA') between Pearl Global ('Pearl') and Singapore-based company Centricity Corporation Limited ('Centricity').

Citation has acquired 40 per cent of Pearl, which has developed a tyre recycling thermal desorption plant and technology, and has an option to acquire the remaining 60 per cent as per the Share Purchase Agreement announced on 12 June 2015.

Centricity, via its shareholders and associates has been actively involved in renewable energy and related business in Asia; including micro-power plants, algae cultivation and investments in carbon black extraction businesses. The HOA will establish a platform for the expansion and development of Pearl's thermal desorption plants into Asia, excluding Japan.

Asia is a key market for both the supply and treatment of used/waste tyres and has ready markets for the fuels produced by Pearl's desorption plants, and also the carbon black.

Whilst the HOA is subject to certain conditions precedent by both parties, some of the key features of the agreement include:

- **Establishment of strategic joint venture (JV)** between Pearl/Citation and Centricity for the Asian region (excluding Japan);
- **10 year rolling license** provided to the newly established JV company governed by and subject to agreed performance milestones relating to tyre supply, offtakes and site developments;
- **Initial 50 PEARL desorption plants** to be established in Malaysia, Indonesia, Vietnam, Singapore and Brunei;
- **US\$100 million finance facility** to be procured and made available by Centricity or its financing partners to fund the roll out of the initial 50 units throughout Asia on mutually agreed commercial terms; and

- **Singapore Trading Desk** to be established for bulk sales and distribution of fuels and carbon black products when required.

Exclusivity Period

A non-refundable cash amount, to be negotiated, will be paid to Pearl in exchange for an exclusivity period to complete negotiations and enter into formal agreements on or before 31 March 2016. This date may be extended by mutual agreement.

During the exclusivity period Pearl/CTR and Centricity will jointly undertake a number of key initiatives to, amongst other things:

- establish the marketable carbon black product
- obtain relevant fuel/power off takes
- identify and secure sites and tyre feedstock
- finalise the operational framework in each country
- Pearl to finalise any relevant EPA and operational licenses in Western Australia
- Pearl to continue its R+D program of internal product optimisation studies with the University of Western Australia focusing on commercial carbon black alternatives, activated carbon and relevant fuel alternatives (power generation, fuel oils, solvents and transport fuels)

Under the JV, Centricity and its local partners will supply site locations, logistics, tyre supply and, importantly, will utilise its existing relationships and off takes arrangements with current carbon black end users, including an existing major Asian based tyre manufacturer.

Upon completion of the initial exclusivity period, Centricity will negotiate a strategic equity investment in Citation.

Commenting on the strategic HOA, Citation Director Victor Turco said: *"We are pleased to be able to address the growing problem of used tyres throughout the Asian region with a strong partner already well positioned within the sector. Centricity has an aligned desire to implement positive environmental change whilst focusing on the economics of our future production in the region."*

"Asia has a significant problem, no more evidenced than the Malaysian government's recent decision in October 2014, to shut down more than 25 so called tyre derived fuel plants (batch pyrolysis) due to pluming toxic emissions and unsafe work practices."

"The impact of the Malaysian plants closures have caused an oversupply of used tyre stock here in Australia. According to the Australian Tyre Recyclers Association report of February 2105, the bulk of Australia's end of life tyres are used as a replacement fuel for thermal coal and burnt in cement kilns and pyrolysis plants in offshore markets, 70% of which are Malaysian."

Stockpiling Of Tyres In Australia

Given the extra stockpiling of tyres in Australia following the Malaysian plant closures, Citation notes yesterday's (11 January) waste tyre fire in Melbourne, Victoria which had a significant environmental impact on the greater Broadmeadows locality and is still burning.

The Pearl thermal desorption plants provide a recycling solution that allows for the processing of waste tyres on a continual basis into green credited hydrocarbons, scrap steel and carbon black. Being able to process waste tyres on a continual basis significantly diminishes the risk of hazardous storage as each modular Pearl unit has the ability to process up to 2,400 tyres per day. Multiple units can be operated at any site and Citation/Pearl see its processing units as a genuine economic alternative to waste tyre storage and comparatively expensive recycling options.



Broadmeadows Waste Tyre fire
Photos – Herald Sun and Channel 7.

The Directors of Citation look forward to updating the market on finalising the Centricity Joint Venture and on other opportunities being pursued both in Australia, and overseas, in relation to the Pearl Global technology in the coming weeks.

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