

**Citation Resources Ltd**  
**(Subject to Deed of Company Arrangement)**

ACN 118 710 508

To be renamed Pearl Global Limited subject to completion of the Recapitalisation Proposal

**Notice of General Meeting**

10:00 am (WST)

1 December 2017

At Lavan, Level 20, The Quadrant, 1 William Street, Perth, Western Australia

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Deed Administrators on +61 8 9220 9333***

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## Table of contents

<b>Important notices</b>	<b>2</b>
<b>Time and place of Meeting and how to vote</b>	<b>4</b>
<b>Business of the General Meeting</b>	<b>6</b>
<b>Explanatory Statement</b>	<b>10</b>
<b>Part 1 – Overview of the Recapitalisation Proposal</b>	<b>10</b>
<b>1 Background</b>	<b>10</b>
<b>2 Update on the Recapitalisation Proposal</b>	<b>11</b>
<b>3 Information on Pearl’s business</b>	<b>13</b>
<b>4 Financial information on Pearl</b>	<b>24</b>
<b>5 Key terms of the Pearl Acquisition</b>	<b>24</b>
<b>6 Key terms of the Pearl Loan Agreement</b>	<b>25</b>
<b>7 Board and management changes</b>	<b>25</b>
<b>8 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules</b>	<b>26</b>
<b>9 Pro-forma capital structure</b>	<b>26</b>
<b>10 Indicative timetable</b>	<b>28</b>
<b>11 The DOCA</b>	<b>29</b>
<b>12 Pro-forma statement of financial position</b>	<b>30</b>
<b>13 Advantages and disadvantages of the Recapitalisation Proposal and the Pearl Acquisition</b>	<b>30</b>
<b>14 Risks</b>	<b>32</b>
<b>15 Future direction for the Company if the change to nature and scale of activities is not approved</b>	<b>38</b>
<b>16 Directors’ recommendation</b>	<b>39</b>
<b>Part 2 – Explanation of the proposed Resolutions</b>	<b>40</b>
<b>Annexure A Pro-forma Statement of Financial Position</b>	<b>54</b>
<b>Annexure B Terms of New Options</b>	<b>57</b>
<b>Annexure C Pearl Vendors</b>	<b>60</b>
<b>Annexure D Pearl Series A Noteholders</b>	<b>62</b>
<b>Annexure E Pearl Series B Noteholders</b>	<b>64</b>

## Important notices

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### General

This Notice of Meeting is dated 30 October 2017.

Shareholders should read this document and the accompanying Explanatory Statement in their entirety before making a decision as to how to vote on the Resolutions.

### Purpose of this document

The purpose of this document is to:

- ) seek further Shareholder approval in respect of the significant change to the nature and scale of the Company's activities through the Pearl Acquisition, in light of certain changes to the proposed Recapitalisation Proposal since the approvals received from Shareholders at the Company's general meeting on 30 June 2017. The key change is that the previously proposed call option for Pearl to acquire the issued share capital of Keshi in consideration for the issue of new "B" class shares in Pearl has, as a result of feedback received from the ASX in relation to the "B" class shares, been terminated. In its place Pearl and Keshi have agreed, within the 12 month period commencing on 20 October 2017, to negotiate in good faith to agree the terms of a purchase by Pearl from Keshi of the intellectual property underpinning Pearl's operations (please see Section 3.5 of Part 1 of the Explanatory Statement for further details);
- ) refresh the Shareholder approvals obtained at the Company's general meeting on 30 June 2017 in relation to the issue of securities in connection with the Recapitalisation Proposal; and
- ) seek Shareholder approval for the issue of Shares upon conversion of the Pearl Series B Convertible Notes, which have been issued to fund the Pearl business given the extended timeline to complete the Recapitalisation Proposal,

and to provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve the Resolutions to give effect to these matters.

### Preparation of and responsibility for this document

The Deed Administrators have given their consent to convene the Meeting and to despatch this Notice and the Explanatory Statement, but express no opinion about any of their contents (including, but not limited to, any statement regarding the Pearl Acquisition or the Recapitalisation Proposal) other than as set out in their report to the Company's creditors dated 2 February 2017.

The Deed Administrators have not independently verified any of the information contained in this Notice or the Explanatory Statement. Neither the Deed Administrators nor any servants, representatives, agents or employees of the Deed Administrator Firm makes any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Notice or the Explanatory Statement. To the fullest extent permitted by law, all such parties and entities expressly disclaim any and all liability for, based on or relating to, any such information contained in, errors in or omissions from this Notice and the Explanatory Statement.

The Deed Administrators make no recommendations about how Shareholders should vote on the resolutions contained in this Notice and have not undertaken any due diligence in relation to the Pearl Acquisition or the Recapitalisation Proposal and have relied on discussions with the

Proponents and their advisers. The Directors take responsibility for, and have caused the despatch of, this Notice and the Explanatory Statement.

The ASX does not take any responsibility for the contents of this Notice of Meeting, and the fact that ASX may re-admit the Company's securities to quotation on its official list is not to be taken in any way as an indication of the merits of the Company.

### **Defined terms and glossary**

Capitalised terms and certain abbreviations used in this document have the defined meanings set out in the Glossary on page 49.

### **Investment decisions**

This document does not take into account the individual investment objectives, financial situation or particular needs of any Shareholder or any other person. Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other appropriate adviser.

### **Enquiries**

Shareholders are requested to contact the Deed Administrators on +61 8 9220 9333 if they have any queries in respect of the matters set out in this Notice of Meeting or the accompanying Explanatory Statement.

## Time and place of Meeting and how to vote

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### Time and place of Meeting

Notice is given that the General Meeting will be held at 10:00 am WST on 1 December 2017 at Lavan, Level 20, The Quadrant, 1 William Street, Perth, Western Australia.

### Your vote is important

The business of the General Meeting affects your shareholding and your vote is important.

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and Proxy Form each form part of this Notice of Meeting.

### Voting eligibility

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 4:00pm WST on 29 November 2017.

### Voting in person

To vote in person, attend the General Meeting at the time, place and date set out above.

### Voting by proxy

In accordance with section 249L of the Corporations Act, members are advised that:

- (a) each member has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company; and
- (c) a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

Sections 250BB and 250BC of the Corporations Act apply to voting by proxy. Shareholders and their proxies should be aware of these sections, as they will apply to this Meeting. Broadly, the sections mean that:

- (a) if proxy holders vote, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these legislative requirements are set out below.

### ***Proxy vote if appointment specifies way to vote***

An appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

### ***Transfer of non-chair proxy to chair in certain circumstances***

If:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
  - (i) the proxy is not recorded as attending the meeting;
  - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at an address given below by 10:00 am (WST) on 29 November 2017. Any proxy form received after that time will not be valid for the scheduled meeting.

**By mail:** Share Registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia

**By fax:** 1800 783 447 (within Australia) OR +61 3 9473 2555 (outside Australia)

**Custodian voting:** For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions

## Business of the General Meeting

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### Resolution 1 – Change to nature and scale of activities

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To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*“That, subject to the passing of each other Resolution, for the purpose of ASX Listing Rule 11.1.2 and ASX Listing Rule 11.1.3 and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of its activities as set out in the Explanatory Statement including, without limitation, through the Pearl Acquisition.”*

#### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### Resolution 2 – Issue of Consideration Shares to Pearl Vendors

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To consider and, if thought fit, to pass with or without amendment, the following Resolution as an **ordinary resolution**:

*“That, subject to the passing of each other Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 79,999,996 Shares (together, the **Consideration Shares**) to the Pearl Vendors on the terms and conditions set out in the Explanatory Statement ”*

#### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue and any person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

### Resolution 3 – Capital Raising

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To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*"That, subject to the passing of each other Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue up to 25,000,000 Shares at a minimum issue price of \$0.20 per Share to raise \$5,000,000 on the terms and conditions set out in the Explanatory Statement."*

#### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue or any person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

### Resolution 4 – Issue of New Options to Cadmon Advisory Pty Ltd

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To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*"That, subject to the passing of each other Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allow Cadmon Advisory Pty Ltd or their respective nominee(s) to subscribe to up to 36,000,000 New Options at a minimum price of \$0.0001 per New Option and otherwise on the terms and conditions set out in the Explanatory Statement."*

#### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue and any person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

## Resolution 5 – Issue of Shares and New Options to Pearl Series A Noteholders

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To consider and, if thought fit, to pass with or without amendment, the following Resolution as an **ordinary resolution**:

*"That, subject to the passing of each other Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue such number of Shares and such number of New Options to the Pearl Series A Noteholders (or their respective nominees) as are calculated in accordance with the formulae set out in the Explanatory Statement, and otherwise on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue and any person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

## Resolution 6 – Issue of Shares to Director, Victor Turco

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To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

*"That, subject to the passing of each other Resolution, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue 500,000 Shares at a deemed issue price of \$0.20 per Share to Victor Turco (or his nominee(s)) on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by Victor Turco (and his nominees) and any of his or their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in

## Resolution 7 – Issue of Shares to Pearl Series B Noteholders

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To consider and, if thought fit, to pass with or without amendment, the following Resolution as an **ordinary resolution**:

*"That, subject to the passing of each other Resolution, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 3,750,000 Shares to the Pearl Series B Noteholders (or their respective nominees) on the terms and conditions set out in the Explanatory Statement."*

### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by any person (and their associates) who may participate in the proposed issue and any person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

**Dated: 30 October 2017**

**By order of the Board**



**Victor Turco**  
**Director**

## Explanatory Statement

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting. This Explanatory Statement should be read in conjunction with the Notice of Meeting.

The purposes of the Meeting are to:

- J seek further Shareholder approval in respect of the significant change to the nature and scale of the Company's activities through the Pearl Acquisition, in light of certain changes to the proposed Recapitalisation Proposal since the approvals received from Shareholders at the Company's general meeting on 30 June 2017. These changes constitute a fundamental change in the terms of the transaction from those approved by Shareholders, such that a further approval is required;
- J refresh the Shareholder approvals obtained at the Company's general meeting on 30 June 2017 in relation to the issue of securities in connection with the Recapitalisation Proposal; and
- J seek Shareholder approval for the issue of Shares upon conversion of the Pearl Series B Convertible Notes, which have been issued to fund the Pearl business given the extended timeline to complete the Recapitalisation Proposal.

## Part 1 – Overview of the Recapitalisation Proposal

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### 1 Background

The Company (ASX Code: CTR) is a Perth based public company listed on the official list of the ASX.

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

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

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

At the Company's general meeting held on 30 June 2017, various Shareholder approvals required in connection with the Recapitalisation Proposal were obtained. However, certain changes in the proposed transaction structure constitute a fundamental change in the terms of the transaction from those approved by Shareholders and, consequently, further Shareholder approval is required. The key change is that the previously proposed call option for Pearl to acquire the issued share capital of Keshi in consideration for the issue of new "B" class shares in Pearl has, as a result of feedback received from the ASX in relation to the "B" class shares, been terminated. In its place Pearl and Keshi have

agreed, within the 12 month period commencing on 20 October 2017, to negotiate in good faith to agree the terms of a purchase by Pearl from Keshi of the intellectual property underpinning Pearl's operations (please see Section 3.5 for further details)

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## 2 Update on the Recapitalisation Proposal

The material terms of the Recapitalisation Proposal are set out in the DOCA, and were summarised in the explanatory statement accompanying the Company's notice of general meeting dated 30 May 2017. They comprise:

- (a) **Consolidation.** The consolidation of the existing issued capital of the Company on a 7 for 199 basis. This consolidation took effect on 12 July 2017 following receipt of the Shareholder approvals at the Company's general meeting held on 30 June 2017.
- (b) **Discharge of secured creditors.** Any party with a valid security in respect of the Company registered on the PPSR discharging that security interest. The last of the valid security interests registered against the Company was released on 13 March 2017.
- (c) **Bonus Issue.** A bonus issue to Shareholders of New Options, on the basis of one New Option for every three Shares held. The record date for the Bonus Issue is dependent on the date of closing of the Capital Raising and satisfaction of the conditions to the Capital Raising, but will be prior to the issue of the Consideration Shares, the Shares under the Capital Raising and the other issues of Shares contemplated by the Resolutions. The record date for the Bonus Issue will be announced in due course.
- (d) **Pearl Acquisition.** The acquisition of the entire issued share capital of Pearl in consideration for the issue to the Pearl Vendors of 79,999,996 new Shares (see Resolutions 1 and 2). Further information in respect of Pearl and the Pearl Acquisition is set out below.
- (e) **New Licence Agreement.** The entry into of a new licence agreement in respect of the intellectual property which underpins Pearl's business. The new licence agreement was entered into on 23 June 2017.
- (f) **Capital Raising.** The issue by the Company of up to 25,000,000 Shares at an issue price of \$0.20 per Share under the Prospectus to raise \$5,000,000 (see Resolution 3). The Capital Raising is to incorporate a priority offer to persons who made an application to purchase Shares under the Company's prospectus dated 23 October 2015, but who did not receive shares or a refund, up to the amounts returned to them pursuant to the DOCA and (as the case may be) the Landau Creditors' Trust or the Trust Creditors' Trust. The \$5,000,000 is both the minimum and the maximum subscription amount under the proposed capital raising.
- (g) **Conversion of Pearl Series A Convertible Notes.** The issue by the Company of 18,718,750 Shares and 6,239,567 New Options to the Pearl Series A Noteholders, on conversion of the Pearl Series A Convertible Notes (see Resolution 5).

- (h) **Issue of Shares to a Director in satisfaction of accrued fees.** The issue by the Company of 500,000 Shares to Mr Victor Turco, a Director of the Company (or his nominee(s)) at a deemed issue price of \$0.20 per Share in satisfaction of accrued directors fees (see Resolution 6).
- (i) **Right to issue of New Options to Cadmon Advisory Pty Ltd.** The issue by the Company of up to 36,000,000 New Options for subscription by Cadmon Advisory Pty Ltd (or its nominees) in connection with its role as lead manager to the Capital Raising at a subscription price of \$0.0001 per New Option (see Resolution 4).
- (j) **Loan to Pearl.** The provision of a loan by the Company to Pearl. This loan was provided on 30 June 2017 following receipt of the Shareholder approvals at the Company's general meeting held on that date.
- (k) **Reinstatement to quotation.** Following lodgement of the Prospectus, the Company made an application to the ASX for its Shares, the existing listed Options and the New Options to be reinstated to quotation on the ASX.

A summary of the terms of the DOCA is set out in section 11 of Part 1 of this Explanatory Statement on page 29.

The Pearl Acquisition involves a significant change to:

- J the nature of the Company's main business activity from exploring and developing oil and gas assets to the commercialisation of an industrial process involving the reclamation of reusable and saleable products from used tyres/rubber in accordance with applicable environmental laws in Australia; and
- J the size of the Company's business operations.

Given these circumstances, ASX exercised its discretion to require the significant change to the nature and scale of the Company's main business activity to be approved by the Company's Shareholders under ASX Listing Rule 11.1.2. This approval was initially obtained at the Company's general meeting held on 30 June 2017.

#### ***Changes since the Company's general meeting held on 30 June 2017***

Following receipt of shareholder approval at the Company's general meeting held on 30 June 2017, the following changes to the transaction structure have occurred:

- J the original transaction structure incorporated an exclusive option for Pearl to purchase 100% of the total issued shares of Keshi (the owner of the intellectual property underpinning Pearl's business operations) in consideration for an issue of "B" class shares in Pearl. The terms of the proposed option and the "B" class shares were set out in the explanatory statement accompanying the Company's notice of meeting dated 30 May 2017 and in the Prospectus. As a result of feedback received from the ASX in relation to the "B" class shares in Pearl, the option has been terminated. In place of the option, Pearl and Keshi have agreed, within the 12 month period commencing on 20 October 2017, to negotiate in good faith to agree the terms of a purchase by Pearl from Keshi of the intellectual property underpinning Pearl's operations; and
- J as a result of the extended timeframe until the expected date for re-quotation of the Company's securities on ASX, Pearl has issued the Pearl Series B Convertible Notes in order to provide it with additional working capital over this period. The Pearl Series

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B Convertible Notes are on substantively identical terms to the Pearl Series A Convertible Notes, save that on conversion in connection with the Recapitalisation Proposal they will convert into Shares at a deemed issue price of \$0.20 per Share (being the price per Share under the Capital Raising), with no attaching New Options.

These changes constitute a fundamental change in the terms of the transaction from those approved by Shareholders and, consequently, further Shareholder approval is required.

As at the date of this Notice, the key outstanding conditions to the Recapitalisation Proposal are:

- J the Resolutions being passed at the Meeting;
- J the Company completing the Capital Raising. As at the date of this document, the Capital Raising is fully subscribed, although (in accordance with Corporations Act requirements) applicants currently have rights to withdraw their applications as set out in the Company's supplementary prospectus dated 4 October 2017; and
- J receipt of conditional approval by ASX to reinstate the Company's securities to trading on ASX (after the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being to the reasonable satisfaction of the Company.

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### **3 Information on Pearl's business**

#### **3.1 General**

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

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

#### **3.2 Pearl corporate structure**

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

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

#### **3.3 The Project**

##### ***Project technology***

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

The process consists of an atmospherically sealed apparatus for the continuous processing of waste rubber. The intention of the process is to reclaim the raw materials and elements that made up the tyre at the beginning of its life. The main products extracted from the process are fuels, carbon char, high tensile steel and gases. The main objective of this invention is to provide a reliable, repeatable, dependable and economical continuous stream thermal desorption vessel that significantly reduces the environmental footprint caused by waste rubber.

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

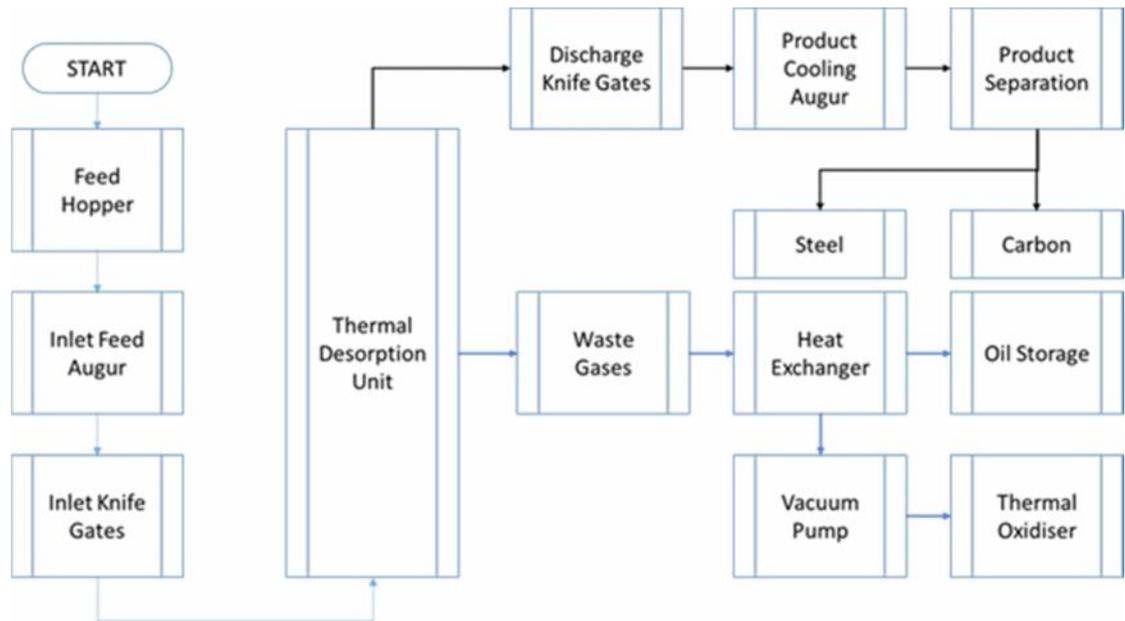
The atmospherically sealed vessel has an inlet port for the raw material to enter the vessel which incorporates in its design multiple air locks to prevent both atmospheric discharge and air ingress. On the opposite end of the inlet port of the vessel is a discharge port with multiple air locks for the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

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

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

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

A diagram representing the Project process appears below:



### **Industry background**

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

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

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

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

The Project seeks to reduce some of the main obstacles that block sustainable waste conversion of rubber by aiming to keep emissions well under environmental standards, targeting directly the waste source thus reducing the cost of transport and reclaiming and reusing the valuable materials that makes rubber sustainable and economically attractive.

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

### 3.4 Research and development

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

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

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

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

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

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

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

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

The focus of this testing, research and development was on technology verification and refinement to determine the design specification and the capability of a TDU to operate within a regulated environmental regime. Pearl has conducted various tests over the most recent two year period which have involved operating a TDU at different feedstock input levels at varying durations to determine the output levels of the key by-products produced from the TDU process in a monitored emissions environment.

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

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

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

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

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

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

### 3.5 Business model

#### *Intellectual Property*

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

- ) the application for patents (2016905092 relating to the process for the thermal degradation of rubber containing waste) and 2016905090 (relating to hermetically sealed flow through reactor for non-oxidative thermal degradation of a rubber containing waste) and any patents as added in accordance with the provisions of the Licence Agreement including improvements and technical information in relation to such patents; and

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- J) the intellectual property rights, information, trade secrets, expertise and knowledge, information processes, techniques, discoveries, inventions and know-how: relating to the conversion of contaminated/toxic rubber waste streams into reusable secondary products including fuels, carbons, steel and gases, owned by or in the possession or under the control of Keshi,

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

Pearl has the right to grant sub-licences in respect of the Intellectual Property, provided that Pearl obtains the prior written consent of Keshi. As part of seeking this consent, Pearl must undertake appropriate and reasonable due diligence enquiries in relation to each proposed sub-licensee and provide the results of Pearl's due diligence enquiries to the Keshi. Keshi cannot unreasonably withhold its consent provided it is satisfied with the results of Pearl's due diligence enquires and provided it is satisfied that that the terms of the sub-licence give rise to entitlement to payment of any one or more of the royalties under the Licence Agreement.

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

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

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

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

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

In addition to the Licence Agreement, Pearl and Keshi have agreed, within the 12 month period commencing on 20 October 2017, to negotiate in good faith to agree the terms of a purchase by Pearl of the Intellectual Property. However, it must be noted that there can be no guarantee that such negotiations will lead to an agreement for the acquisition of the Intellectual Property.

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

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

#### ***Project specifics***

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

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

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

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

It is important to note that, notwithstanding the modular design of a TDU, there are many factors which Pearl will need to consider in determining whether it is practical or economic to transport or establish a TDU to a given site. See the discussion in Section 3.8.

- (b) **Capital expenditure:** It is expected that any further TDUs will cost Pearl less than \$2 million per unit to build, which is inclusive of any initial royalty or payment due to Keshi pursuant to the Licence Agreement. Pearl is intending to purchase, out of the proceeds of the Capital Raising, the TDU that Keshi currently owns, and which is currently located at Pearl's Queensland site, for \$1,500,000 (inclusive of GST and any initial royalty).
- (c) **Emissions and environment:** The Project process converts contaminated gases into clean burning gases (similar to natural gas) and has the theoretical potential to provide an energy source, based on the science underlying the Project technology. It

should be noted that no process has been designed as yet to utilise these gases as energy sources or for other commercial purposes.

The environmental regulation of each jurisdiction in which Pearl operates will place conditions on the emissions which can be permitted through the use and operation of the TDUs. In respect of Pearl's Queensland site, the Queensland regulatory authority has placed detailed restrictions on the emissions limits which Pearl is required to comply with in order to operate at that site. Please see Section 3.6 "Environmental approvals process" for further information.

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

### **3.6 Pearl's proposed Queensland operations**

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

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

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

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

Pearl is not yet operating in Queensland. Any ongoing operations on a sustainable basis are subject to;

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

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

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

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

On 28 June 2017, Pearl was granted an EPA Approval “Environmental authority number EA0000862”. This approval covers up to 4 TDUs at Pearl’s Stapylton site only. This EPA Approval took effect on 5 October 2017, being the date on which Pearl obtained development approval under the *Sustainable Planning Act 2009* (Qld) in respect of its Stapylton site (**Development Approval**).

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

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

As part of its ongoing continual compliance with these approvals, Pearl is required to put in place and implement policies, procedures, internal controls and measures to satisfy the various licensing conditions on an operational level. Pearl is in negotiations with a suitably accredited third party consultant to conduct compliance checks of Pearl’s implementation of relevant policies and procedures, and to award a Compliance Certificate (subject to satisfactory compliance) following commencement of operations. However, no agreement has been secured as at the date of this document and there can be no guarantee that such agreement will be able to be finalised. Operations are able to commence at Pearl’s Stapylton site without such agreement being in place.

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

Pearl is in the process of engaging a third party consultant accredited under the National Association of Testing Authorities to conduct a testing and verification process to monitor the emissions profiles in respect of the two TDUs currently located in Queensland. In accordance with the requirements of the EPA Approval (as noted in the table below), the emissions are to be monitored within three months from the commissioning of the facility and six monthly thereafter. Operations at Pearl’s Stapylton site are able to commence without the consultant being appointed.

Release Point	Minimum release height above ground (metres)	Minimum velocity (m/sec)	Contaminant	Maximum concentration release limit	Maximum mass release limit	Monitoring Frequency
Two stacks of same characteristic (each serving two thermal desorption units)	15	15	Total Solid Particulates (TSP)	50 mg/ Nm3 dry @ 7% O2	1 g/min	All stacks must be monitored for the contaminants within three months of commissioning of the facility and six monthly thereafter.
			Carbon Monoxide (CO)	125 mg/ Nm3 dry @ 7% O2	2.5 g/min	
			Oxides of Nitrogen (as NO2)	450 mg/ Nm3 (dry) @ 7% O2	9 g/min	
			Oxides of Sulphur (sulphur dioxide and sulphur trioxide as SO2)	600 mg/ Nm3 (dry) @ 7% O2	12 g/min	

Release Point	Minimum release height above ground (metres)	Minimum velocity (m/sec)	Contaminant	Maximum concentration release limit	Maximum mass release limit	Monitoring Frequency
			equivalent)			
			Volatile Organic Compounds (as n-propane equivalent)	20 mg/Nm3 (dry) @ 7% O2	0.4 g/Min	
			Polycyclic Aromatic Hydrocarbons (PAH) (as B P equivalent) (Note 1)	5 µg/Nm3 (dry) @ 7% O2	0.1 mg/min	
			Cadmium and its compounds (expressed as Cd)	0.2 mg/Nm3 (dry) @ 7% O2	0.004 g/min	
			Mercury and its compounds (expressed as Hg)	0.2 mg/Nm3 (dry) @ 7% O2	0.004 g/min	
			Total Heavy Metals (Note 2)	1 mg/Nm3 (dry) @ 7% O2	0.02 g/min	
			Hydrogen chloride (HCl)	20 mg/Nm3 (dry) @ 7% O2	0.4 g/min	
			Hydrogen Fluoride (HF)	4 mg/Nm3 (dry) @ 7% O2	0.08 g/min	
			Dioxins and furans	0.1 ng ITEQ/Nm3 (dry) @ 11 % O2	0.001 µg/min	

**Notes:**

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

### 3.7 Contractual arrangements

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

Products which were generated through the research, development, verification and testing process undertaken by Pearl in Western Australia (including those tests which are summarised in Section 3.4 have been sold by Pearl on a spot basis to various parties. The funds received from these sales were immaterial, however, some of these parties have expressed an interest in further formal offtake agreements with Pearl. Notwithstanding this, however, there can be no certainty of any commercial offtake agreement being executed by Pearl within any particular timeframe, or at all.

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

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

### 3.8 Project – potential expansion model

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

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

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

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

- a) The relevant site will need to have the appropriate environmental approvals and licenses in place. Such approvals will need to be finalised prior to any operations at such site.
- b) The likelihood of any particular site qualifying for the relevant approval, and whether the time and cost of obtaining such approval in the relevant jurisdiction would be practical or commercial in the circumstances. In Pearl's experience, timeframes for

environmental approvals can vary significantly between different jurisdictions. Further, each jurisdiction applies varying conditions which must be satisfied before the relevant environmental approval can be obtained.

- c) The cost of the transportation and commissioning of the TDU at the relevant site.
- d) The availability of appropriate infrastructure facilities to operate the TDU.
- e) The availability of requisite space and proximity to the relevant suppliers and/or offtakers.
- f) The tenure of potential feedstock supplies and offtake arrangements in that particular site.

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#### 4 Financial information on Pearl

As at 31 December 2016, Pearl had \$4,412,132 in total assets and \$129,823 in total liabilities. The following table summarises the historical consolidated income statements of Pearl for the period between FY2015 and HY2017. This information has been extracted from Pearl's audited and reviewed financial statements:

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

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#### 5 Key terms of the Pearl Acquisition

On 29 May 2017, the Company entered into a Share Sale and Purchase Agreement (**Acquisition Agreement**) with the Pearl Vendors to acquire the entire issued share capital of Pearl in consideration for the issue to the Pearl Vendors of (in aggregate) 79,999,996 Shares (the **Consideration Shares**).

The Acquisition Agreement contains warranties and indemnities in favour of the Company consistent with usual market practice.

The principal outstanding conditions precedent to completion of the Pearl Acquisition are:

- J the Resolutions being passed at the Meeting;
- J the Company completing the Capital Raising; and
- J receipt of conditional approval by ASX to reinstate the Company's securities to trading on ASX (after the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being to the reasonable satisfaction of the Company.

On 23 October 2017 the parties agreed to extend the date by which these conditions must be satisfied or waived in accordance with the Acquisition Agreement to 31 March 2018 (or such later date as may be agreed between the parties).

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## 6 Key terms of the Pearl Loan Agreement

On 10 May 2017, the Company entered into a loan agreement (**Pearl Loan Agreement**) under which the Company has provided financial accommodation to Pearl by way of an unsecured loan:

- (a) **Principal amount:** The Company has provided to Pearl an unsecured term loan, in an amount of \$1,000,000 (**Facility**) to be applied by Pearl to further its business.
- (b) **Term and repayment:** The Facility must be repaid (together with accrued interest) on the "Termination Date" which is defined to mean:
  - (i) 31 March 2018 (as extended from the original repayment date by agreement between the Company and Pearl entered into on 23 October 2017), if ASX does not approve the Company's application to have its securities reinstated to quotation on the ASX or the Acquisition Agreement is terminated in accordance with its terms; and
  - (ii) in all other circumstances, the Facility will be available for such period as is agreed by the boards of Pearl and the Company,

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

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

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

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## 7 Board and management changes

On completion of the Pearl Acquisition the Company proposes to appoint Gary Foster and Andrew Drennan to the Board, and it is proposed that existing director Bert Huys will resign

as director, such that upon completion of the Pearl Acquisition, the Board of the Company will comprise:

- J Gary Foster as Executive Chairman;
- J Andrew Drennan as Managing Director; and
- J Victor Turco.

Shareholder approval for the appointment of Mr Foster and Mr Drennan as directors of the Company was obtained at the Company's general meeting held on 30 June 2017.

The Board will continue to assess its needs at both a board and management level as the new business progresses and when a decision is made in relation to the Company's existing business.

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## 8 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has notified the Company that the significant change to the nature and scale of the Company's main business activity arising from the Pearl Acquisition will require re-compliance with ASX's admission requirements in Chapters 1 and 2 of the ASX Listing Rules.

The Company's Shares are currently suspended from trading on ASX. If Shareholders approve the change to the nature and scale of activities of the Company and the other Resolutions, trading in the Company's securities will remain suspended until re-compliance with the admission requirements is achieved.

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## 9 Pro-forma capital structure

The effect of the issue of the Consideration Shares on the Company's capital structure is set out in the following table:

<b>Table 9.1</b>	<b>Shares</b>	<b>Options<sup>1</sup></b>
Current issued capital	9,249,952	46,783
Consideration Shares	79,999,996	-
<b>Total issued capital following issue of the Consideration Shares assuming none of the current issued Options are exercised<sup>2</sup></b>	<b>89,249,948</b>	<b>46,783</b>
<b>Total issued capital following issue of the Consideration Shares assuming all current issued Options are exercised<sup>2</sup></b>	<b>89,296,731</b>	<b>-</b>

**Notes:**

1. In respect of the Options:
  - J 23,567 unlisted Options exercisable at \$14.21 each, expiring 31 January 2020; and
  - J 11,608 unlisted Options exercisable at \$11.37 each, expiring 31 January 2020; and

- ) 11,608 unlisted Options exercisable at \$8.53 each, expiring 31 January 2020.
2. As the last sale on the ASX trading day immediately preceding the date of this Notice was \$0.059, the Options are not "in the money" (taking account of the consolidation of the Company's share capital which took effect on 12 July 2017).

The Company's capital structure following completion of the Recapitalisation Proposal is set out in the following table:

<b>Table 9.2</b>	
<b>Shares</b>	<b>Number</b>
Shares currently on issue	9,249,952
Consideration Shares to be issued to Pearl Vendors (Resolution 2)	79,999,996
Maximum number of Shares to be issued pursuant to the Capital Raising at \$0.20 each (Resolution 3)	25,000,000
Number of Shares to be issued at a deemed issue price of \$0.16 per Share upon conversion of the Pearl Series A Convertible Notes (Resolution 5)	18,718,750
Number of Shares to be issued to Victor Turco at a deemed issue price of \$0.20 per Share in satisfaction of accrued fees for services provided to the Company (Resolution 6)	500,000
Number of Shares to be issued at a deemed issue price of \$0.20 per Share upon conversion of the Pearl Series B Convertible Notes (Resolution 7)	3,750,000
<b>Total Shares on completion of the Recapitalisation Proposal</b>	<b>137,218,698</b>
<b>Options</b>	<b>Number</b>
Unlisted Options exercisable at \$14.21 each, expiring 31 January 2020 <sup>1</sup>	23,567
Unlisted Options exercisable at \$11.37 each, expiring 31 January 2020 <sup>1</sup>	11,608
Unlisted Options exercisable at \$8.53 each, expiring 31 January 2020 <sup>1</sup>	11,608
Listed New Options to be issued to Shareholders by way of the Bonus Issue exercisable at \$0.30 each on or before the date falling 3 years after their issue <sup>2</sup>	3,083,317
Listed New Options to be issued to Pearl Series A Noteholders exercisable at \$0.30 each on or before the date falling 3 years after their issue (Resolution 5)	6,239,567
Listed New Options to be issued to Company advisers, brokers and promoters exercisable at \$0.30 each on or before the date falling 3 years after their issue (Resolution 4)	36,000,000
<b>Total Options on completion of the Recapitalisation Proposal</b>	<b>45,369,667</b>
<b>Total issued Shares</b>	<b>Number</b>
<b>Total issued Shares on re-instatement to ASX (undiluted)<sup>1</sup></b>	<b>137,218,698</b>
<b>Total issued Shares on re-instatement to ASX assuming all of the current issued Options are exercised before reinstatement</b>	<b>137,265,481</b>

**Notes:**

1. Assuming no existing Options are exercised prior to re-instatement. As the last sale on the ASX trading day immediately preceding the date of this Notice was \$0.059, the Options are not "in the money" (taking account of the consolidation of the Company's share capital which took effect on 12 July 2017) and it is therefore unlikely that they will be exercised before the Company's reinstatement to trading on ASX.
2. Ignoring the treatment of fractional entitlements on the Bonus Issue.

## 10 Indicative timetable

An indicative timetable for re-compliance with the admission requirements is set out in the following table:

Event	Date <sup>1</sup>
Original Notice of Meeting dispatched	30 May 2017
Original Prospectus lodged with ASIC	10 July 2017
Application for admission (Appendix 1A) lodged with ASX	13 July 2017
First General Meeting	30 June 2017
Replacement Prospectus lodged with ASIC	21 August 2017
Opening of offer under the Replacement Prospectus	21 August 2017
“Refresh” Supplementary Prospectus lodged with ASIC	4 October 2017
Closing of withdrawal rights in respect of applications as a result of the “Refresh” Supplementary Prospectus	4 November 2017
Anticipated date for lodgement of Second Supplementary Prospectus with ASIC	10 November 2017
General Meeting <sup>2</sup>	1 December 2017
Anticipated date for closing of withdrawal rights in respect of applications as a result of the Second Supplementary Prospectus (on the basis that the Second Supplementary Prospectus is lodged on 10 November 2017)	10 December 2017
Close of offer under the Prospectus	12 December 2017
Announce Bonus Issue record date <sup>3</sup>	15 December 2017
Bonus Issue record date <sup>3</sup>	21 December 2017
Issue of New Options under the Bonus Issue <sup>3</sup>	22 December 2017
Completion of Pearl Acquisition and issue of Shares and New Options under the Recapitalisation Proposal	22 December 2017
Expected date for re-quotation of the Company’s securities on ASX	29 December 2017

### Notes:

1. The above dates are indicative only and are subject to change without notice.
2. The Company’s Shares are currently suspended from trading on ASX. If Shareholders approve the change to the nature and scale of activities of the Company and the other Resolutions, trading in the Company’s securities will remain suspended until re-compliance with the admission requirements is achieved.
3. The announcement of the record date for the Bonus Issue (and, consequently, the Bonus Issue record date and the date for issue of the New Options under the Bonus Issue) are dependent upon the date on which conditional approval is received from the ASX for re-instatement of the Company’s securities to trading. The record date for the Bonus Issue will be announced in due course, but will be prior to the issue of the Consideration Shares, the Shares under the Capital Raising and the other issues of Shares contemplated by the Resolutions.

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## 11 The DOCA

### 11.1 Deed of Company Arrangement

Pursuant to the resolution at a meeting of Creditors on 9 February 2017 held under section 439A(1) of the Corporations Act, the Company, the Administrators and the Proponents executed the DOCA on 27 February 2017 and the Administrators became the administrators of the DOCA (the **Deed Administrators**).

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

(a) The establishment by the Deed Administrators of four Creditors' Trusts into which the following moneys (**Funds**) are to be paid to satisfy the admitted Claims of Creditors:

- (i) \$127,880 into the Ordinary Unsecured Creditors' Trust;
- (ii) \$2,000,000 into the Landau Creditors' Trust;
- (iii) \$50,000 into the Shareholder Creditors' Trust; and
- (iv) a sum equal to any admitted Trust Creditors' Claims into the Trust Creditors' Trust,

within two business days of the satisfaction of the following conditions:

- (A) execution of the Creditors' Trust Deeds. This occurred on 27 February 2017;
  - (B) within 14 days of execution of the DOCA the Deed Administrators receiving approval from the shareholders of Pearl to enter into the DOCA including the Recapitalisation Proposal. This approval was received on 21 February 2017;
  - (C) within 45 days of execution of the DOCA Keshi and Pearl entering into the new licence agreement in respect of the intellectual property which underpins Pearl's business;
  - (D) the Deed Administrators being satisfied that the requirements of the Landau Settlement Deed have been met;
- (b) It is a condition subsequent of the DOCA that the Deed Administrators are to cause the Company to implement the Recapitalisation Proposal.
- (c) The DOCA provides that the payment of the Administrators', the Deed Administrators' and the trustees' remuneration will be from the assets of the Company.
- (d) If in the opinion of the Deed Administrators the Recapitalisation Proposal is not implemented and will not be implemented, then, immediately prior to the termination of the DOCA, all of the remaining assets of the Company will be paid into the Shareholder Creditors' Trust to satisfy the Claims of the Shareholder Creditors admitted by the Deed Administrators.

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

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

## 11.2 Creditors' Trust Deeds

It is a condition precedent of the DOCA that the Company and the trustees of each Creditors' Trust execute the Creditors' Trust Deeds. This occurred on 27 February 2017.

Within two business days of the relevant conditions set out in the DOCA, the Funds are to be paid to the trustees pursuant to the Creditors' Trust Deeds and the trustees shall hold the Funds pursuant to the terms of the Creditors' Trust Deeds.

Upon the payment of the Funds to the trustees, all Claims against the Company are discharged and extinguished and substituted for the rights pursuant to the applicable Creditors' Trust Deeds (save and except for the Claims of the admitted Shareholder Creditors which are discharged and extinguished upon effectuation of the DOCA).

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

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

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## 12 Pro-forma statement of financial position

Set out in Annexure A is a pro-forma consolidated statement of financial position of the Company taking into account the Pearl Acquisition, the other elements of the Recapitalisation Proposal and the implementation of the DOCA. The pro-forma statement of financial position illustrates the effect of the Pearl Acquisition, the Capital Raising and the other issues of securities contemplated by the Recapitalisation Proposal as if they had occurred on 30 June 2017.

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## 13 Advantages and disadvantages of the Recapitalisation Proposal and the Pearl Acquisition

This section sets out the key advantages and disadvantages of the Recapitalisation Proposal and the Pearl Acquisition. The Directors believe the advantages of the proposed transactions substantially outweigh the disadvantages.

### *Advantages*

- ) **Re-quotation:** Citation's Shares have been suspended from trading on ASX since 23 February 2016. As noted previously, the Company is subject to a DOCA, and if the Recapitalisation Proposal does not proceed, the Company will have insufficient resources to satisfy creditors. A key advantage of the Recapitalisation Proposal and the Pearl Acquisition is the Company's ability to seek re-quotation of its shares on ASX is enhanced. By obtaining reinstatement to trading of the Company's shares, the existing shares are offered liquidity to sell their Shares on the ASX.

- J **More certain return to Shareholder value creation:** In the current share market environment there is greater likelihood of restoring Shareholder value by progressing the Pearl Acquisition than if Citation were simply to remain a junior explorer with minimal assets or potential projects.
- J **No cash payment for an existing growing business with track record:** The proposed Pearl Acquisition does not require the payment of cash consideration. This will help the Company retain cash raised through the Capital Raising and reduce cash flow strain, thereby assisting the Company to grow the Pearl business and cover its working capital requirements.
- J **Improved ability to raise funding:** Shareholders may be exposed to further debt and equity funding opportunities that the Company did not have before the Pearl Acquisition. The Company's ability to raise funds and attract expertise will likely be improved.
- J **New investment potential:** The Pearl Acquisition may encourage new investors in the Company as the Company will be pursuing a new strategic direction. This improvement in the attractiveness of an investment in the Company may lead to an increased liquidity of Shares and greater trading depth than currently experienced by Shareholders.
- J **Directors expertise:** The appointment of new directors (in accordance with the Shareholder approvals obtained at the Company's general meeting held on 30 June 2017) will add experience and skill to the Board to assist with the growth of the Company as part of its future direction under the Recapitalisation Proposal.

**Disadvantages**

- J **Issue of Securities pursuant to the Resolutions will dilute existing Shareholders:** Assuming:
  - (a) the Capital Raising is fully subscribed; and
  - (b) the Pearl Series A Convertible Notes and Pearl Series B Convertible Notes convert into Shares on 22 December 2017 (being the estimated date of completion of the Pearl Acquisition),the completion of the Pearl Acquisition and the implementation of the transactions the subject of the Resolutions will result in Shareholders' interests in the Company being diluted by approximately:
  - (c) 93.26% on an undiluted basis; or
  - (d) 94.93% on a fully diluted basis.Consequently, the current Shareholders' influence over the Company's affairs (including the composition of the Board and the acquisition and disposal of assets) will be reduced.
- J **Change of business focus and with a move away from mineral exploration focus:** The Company will, following completion of the Pearl Acquisition, move away from oil and gas exploration and resource investment and focus on the business operated by Pearl. This may be seen as a disadvantage to some Shareholders who were seeking, via the Company, a "pure" oil and gas exploration investment.

- For personal use only
- J **Transaction and Capital Raising costs:** The proposed Pearl Acquisition has required the Company to engage a number of advisers, lawyers and experts to facilitate and report on the transaction. This work includes preparation of the notice of meeting in connection with the Shareholder meeting held on 30 June 2017, this Notice of Meeting, and a prospectus, replacement prospectus and supplementary prospectuses (including Investigating Accountant's Reports) to ensure compliance with the ASX Listing Rules and other statutory requirements and approvals.
  - J **New risk profile:** The Company and its Shareholders will be exposed to risks associated with Pearl and its business, including (but not limited to) those set out in paragraph 14 below.
  - J **Change to Shareholders:** Although the Pearl Vendors are not 'associates' (for the purposes of section 12 of the Corporations Act), following the issue of the Consideration Shares to the Pearl Vendors, the Pearl Vendors will (in aggregate) hold a majority of the Shares in the Company. It is expected that the Consideration Shares will be restricted securities for a period and as such will be restricted from trading during the restricted period, which may have an effect on the liquidity of the Company's Shares.
  - J **Absence of past significant revenue:** The business being acquired pursuant to the Pearl Acquisition has not, to date, generated any significant revenues. There is, therefore, a degree of uncertainty in relation to the future prospects of the Company in terms of future profitability.
  - J **Tax losses:** Whilst Citation does have carried forward losses it is conceivable that Citation's ability to claim accrued tax losses as a result of the Recapitalisation / Pearl Acquisition may be lost.
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## 14 Risks

There are specific risks which relate to the Recapitalisation Proposal and to the Company's (or Pearl's) business. In addition, there are other more general risks. Many of the risks are beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the implementation of the Recapitalisation Proposal, the financial performance of the Company and the price or value of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **Specific risk factors**

- J **Acquisition risk.** In order for the Company to be able to achieve its objectives and acquire the issued shares of Pearl under the Pearl Acquisition, the Company is reliant on the Pearl Vendors complying with their contractual obligations under the Acquisition Agreement. The Acquisition is also subject to satisfaction of certain conditions precedent as noted in Section 5.

Should the Pearl Vendors fail to comply with the terms of the Acquisition Agreement, or should the conditions precedent contained in the Acquisition Agreement fail to be satisfied, the Acquisition may not complete and the Company may not acquire the issued share capital of Pearl. Further, if a party defaults in the performance of its contractual obligations it may be necessary for the Company to approach a court to

seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms. There can be no guarantee that the Pearl Acquisition will be completed.

- J) **Licensing risk.** In the absence of further agreement with Keshi, the Company (via Pearl) will have no ownership rights in respect of the Intellectual Property, rather Pearl will (subject to the terms of the Licence Agreement) have the exclusive worldwide rights to use and exploit the Intellectual Property on the terms of the Licence Agreement. In order for Pearl (and thereby the Company) to be able to achieve its objectives in respect of the Licence Agreement, it will be reliant on Keshi complying with its contractual obligations under the Licence Agreement. Any non-compliance with the Licence Agreement or termination of the Licence Agreement could have an adverse impact on the financial position of Pearl (and thereby the Company). Where Keshi fails to comply with the Licence Agreement, Pearl may then need to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

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

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

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

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

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

immediate objectives, depending on Pearl's ability to generate income from its operations, Pearl may require further financing in addition to amounts raised under the Capital Raising.

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

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

Impact on the Company's operating results and financial position. Further, the Project technology and Intellectual Property (and the associated licencing rights) may be rendered obsolete by new inventions and technologies, which would adversely impact the Company.

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

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

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

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

As noted in section 3.6 Pearl's operational focus going forward is in Queensland, and not Western Australia. Therefore, whilst Pearl has a current licence in Western Australia, in order to implement Pearl's business model, it is required to be appropriately licensed in Queensland.

On 28 June 2017, Pearl was granted an EPA Approval "Environmental authority number EA0000862". This approval covers up to 4 TDUs at Pearl's Stapylton site only. This EPA Approval took effect on 5 October 2017, being the date on which Pearl obtained development approval under the *Sustainable Planning Act 2009* (Qld) in respect of its Stapylton site.

Assuming completion of the Pearl Acquisition, the Company (via Pearl) will be required to comply with the conditions of and maintain and renew all environmental licenses and also to acquire, maintain and renew any other relevant environmental licences in respect of the Project. It is possible that environmental licences can be cancelled (e.g. for non-compliance with conditions) and that applications and renewal applications for works approvals and environmental licences can be unsuccessful, in whole or in part. In the event that any works approval or environmental licence is cancelled or is applied for and is not granted, the Company (via Pearl) would not be able to continue operating at the relevant site which would likely have an adverse effect of the Company's prospects. The Company (via Pearl) will also be required to comply with all environmental laws and regulations in each

foreign jurisdiction in which it will commercialise the Intellectual Property licensed to Pearl in relation to the Project. Any failure to do so could have an adverse effect on Pearl's potential international expansion plans.

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

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

- ) **Risk of international operations generally.** Pearl may expand and commercialise the exclusive licensing rights to the Project overseas. International sales and operations are subject to a number of risks, including:
- (a) potential difficulties in enforcing agreements and collecting receivables through foreign local systems;
  - (b) potential difficulties in protecting intellectual property;
  - (c) increases in costs for transportation and shipping; and
  - (d) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

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

- ) **Liquidity.** It is expected the 79,999,996 Consideration Shares to be issued to the Pearl Vendors (or their nominees) pursuant to the Pearl Acquisition (which will constitute approximately 58.30% of the undiluted issued share capital of the Company after completion of the Recapitalisation Proposal) will be classified by the ASX as restricted securities and be placed into escrow. Shareholders may consider

that there is an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time. Further, after the end of the relevant escrow periods, a significant sale of then tradeable Shares (or the market perception that such a sale might occur) could have an adverse affect on the Company's Share price. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase.

- J) **Reliance on key personnel.** The responsibility of overseeing the day-to-day operations and the strategic management of the Company (including Pearl) will depend substantially on both companies' senior management and its key personnel. The success of the Pearl Acquisition will be partially dependent on the integration of Pearl's board and management with the existing Board and management of the Company. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these persons cease their employment.
- J) **Unforeseen expenditure risk.** Expenditure may need to be incurred that has not been taken into account in the preparation of this document in relation to the Recapitalisation Proposal. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.
- J) **Future funding needs.** The funds proposed to be raised under the Capital Raising are considered sufficient to meet the current objectives of the Company on the basis that the Recapitalisation Proposal is implemented. Further funding may be required by the Company in the event costs exceed estimates or revenues do not meet estimates, to support its ongoing operations and implement its strategies. For example, funding may be needed to develop new and existing products, or acquire complementary businesses and technologies. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Any inability to obtain sufficient financing for the Company's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of the Company.

#### **General risk factors**

- J) **General economic climate.** The Company's and Pearl's performance may be significantly affected by changes in economic conditions and particularly conditions which affect the manufacturing and construction industries. Pearl's business may be affected by some or all of the factors listed below:
  - (a) future demand for tyre recycling products and services;
  - (b) general financial issues which may affect policies, exchange rates, inflation and interest rates;
  - (c) deterioration in economic conditions, possibly leading to reductions in consumer spending and other potential revenues which could be expected to have a corresponding adverse impact on the Company's operating and financial performance;
  - (d) the strength of the equity and share markets in Australia and throughout the world;
  - (e) financial failure or default by any entity with which Pearl may become involved in a contractual relationship;
  - (f) industrial disputes in Australia and overseas;
  - (g) changes in investor sentiment toward particular market sectors;

- (h) the demand for, and supply of, capital; and
- (i) terrorism or other hostilities.
- J **Government policies and legislation.** The tyre recycling industry may be affected by changes to government policies and legislation, including those relating to privacy, and taxation.
- J **Insurance.** The Company, wherever practicable and economically advisable, will utilise insurance to mitigate business risks. Such insurance may not always be available or particular risks may fall outside the scope of insurance cover. In addition, there remains the risk that an insurer defaults in the payment of a legitimate claim by the Company.
- J **Political factors.** The Company may be affected by the impact that political factors have on the various world economies or the Australian economy or on financial markets and investments generally or specifically.
- J **Litigation.** Litigation brought by third parties including but not limited to customers, partners, suppliers, business partners or employees could negatively impact the business in the case where the impact of such litigation is greater than or outside the scope of the Company's insurance.
- J **Stock market conditions.** The market price of the Shares and New Options when quoted on the ASX may be influenced by international and domestic factors affecting conditions in equity and financial markets. These factors may affect the prices for the securities of companies quoted on the ASX, including the Company.
- J **Other general risks.** Other general risks associated with investment in the Company may include:
- (a) fluctuation of the price at which the Company's shares trade due to market factors; and
- (b) price volatility of the Company's shares in response to factors such as:
- (i) additions or departures of key personnel;
- (ii) litigation and legislative change;
- (iii) press newspaper or other media reports; and
- (iv) actual or anticipated variations in the Company's operating results.

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## 15 **Future direction for the Company if the change to nature and scale of activities is not approved**

If the Resolutions are not passed, the Pearl Acquisition, the Capital Raising and the other elements of the Recapitalisation Proposal will not proceed. In this circumstance the Deed Administrators will distribute the Company's remaining funds as outlined in the DOCA. Following this, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, it is likely that the Company will be put into liquidation. In those circumstances, it is unlikely that there will be any return to Shareholders.

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**16 Directors' recommendation**

The Directors consider that the Recapitalisation Proposal, including the proposed change to the nature and scale of activities of the Company arising from the Pearl Acquisition, has the potential to add significant Shareholder value for the Company's Shareholders.

**Accordingly, the Directors recommend the Pearl Acquisition and the Recapitalisation Proposal, and that Shareholders vote in favour of the Resolutions.**

## Part 2 – Explanation of the proposed Resolutions

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### Resolution 1 – Change to nature and scale of activities

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#### **Background**

ASX Listing Rule 11.1 provides that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. Further, the following rules apply in relation to the proposed change:

- (a) the entity must give ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, the entity must get the approval of holders of its ordinary securities; and
- (c) if ASX requires, the entity must meet the requirements in chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list.

The acquisition by the Company of all the issued share capital of Pearl involves a significant change to the nature of the Company's main business activity from exploring and developing oil and gas assets to the commercialisation of an industrial process involving the reclamation of reusable and saleable products from used tyres/rubber in accordance with applicable environmental laws in Australia. Furthermore, the Pearl Acquisition involves a significant change to the size of the Company's business operations. 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 Shareholders under ASX Listing Rules 11.1.2 and 11.1.3. Further, ASX has notified the Company that the significant change to the nature and scale of the Company's main business activity will require re-compliance with ASX's admission requirements in chapters 1 and 2 of the ASX Listing Rules.

If Resolution 1 is passed the Company will have complied with the ASX requirement to obtain Shareholder approval for the significant change to the nature and scale of its activities. Conversely if Resolution 1 is not passed the Company will not be allowed to change the nature and scale of its activities as proposed in this Explanatory Statement and the Pearl Acquisition, and the remainder of the Recapitalisation Proposal, will not proceed.

#### **Directors' recommendation**

The passing of Resolution 1 is conditional upon, and subject to, each of the other Resolutions being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 1, you should also vote in favour of each other Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

### Resolution 2 – Issue of Consideration Shares to Pearl Vendors

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#### **Background**

Resolution 2 seeks approval by Shareholders for the issue of the Consideration Shares to the Pearl Vendors, for the purposes of ASX Listing Rule 7.1.

Although certain of the Pearl Vendors are controlled by Mr Gary Foster and Mr Andrew Drennan (each a proposed director, and a related party, of the Company pursuant to section 228(6) of the Corporations Act), approval pursuant to Listing Rule 10.11 is not required because Mr Foster and Mr Drennan are only related parties of the Company by reason of the Pearl Acquisition (which is the reason for the proposed issue of the Consideration Shares).

### **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 2 seeks approval by Shareholders under ASX Listing Rule 7.1 for the issue of 79,999,996 Shares to the Pearl Vendors.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- (a) The Company will issue 79,999,996 Shares.
- (b) The Shares will be issued no later than 3 months after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares will be issued on the same date.
- (c) The Shares will not be issued for cash consideration. The Shares will be issued to the Pearl Vendors as consideration for the acquisition by the Company of the entire issued share capital of Pearl.
- (d) The Shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- (e) No funds will be raised from the issue of the Shares.
- (f) A voting exclusion statement is included in the Notice.

### **Directors' recommendation**

The passing of Resolution 2 is conditional upon, and subject to, each of the other Resolutions being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 2, you should also vote in favour of each other Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

## **Resolution 3 – Capital Raising**

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### **Background**

Resolution 3 seeks approval by Shareholders under ASX listing Rule 7.1 for the issue of up to 25,000,000 Shares at a minimum issue price of \$0.20 per Share to raise \$5,000,000. The \$5,000,000 is the minimum and the maximum subscription amount under the proposed capital raising.

The Company proposes to undertake the Capital Raising as part of the Recapitalisation Proposal and in conjunction with the Pearl Acquisition, under the Prospectus, to satisfy ASX Listing Rule 1.1 condition 3 and re-comply with ASX's admission requirements.

The Company issued a replacement prospectus in relation to the Capital Raising on 21 August 2017 (which replaced the Company's original prospectus dated 10 July 2017), which was supplemented by the Company's "refresh" supplementary prospectus dated 4 October 2017.

If Resolution 3 is passed, it will permit the Directors to complete the Capital Raising no later than 3 months after the date of the Meeting (or such longer period as allowed by ASX) without impacting on the Company's 15% placement limit under ASX Listing Rule 7.1.

### **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- (a) The Company will issue a maximum of 25,000,000 Shares pursuant to the Capital Raising.
- (b) The Shares will be issued no later than three months after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares issued under the Prospectus will be issued on the same date.
- (c) The issue price will be \$0.20 per Share.
- (d) The Shares will be issued to successful applicants under the Prospectus who are not related parties of the Company.
- (e) The Shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- (f) The funds raised under the Capital Raising are intended to be used, together with the additional sources of funds set out below, for the following purposes:

<b>Sources and uses of funds</b>	<b>(\$)</b>	<b>%</b>
<b>Sources</b>		
Actual cash balance of the Company at 30 September 2017	496,798	7.87
Benefit of GST input tax credits arising from purchase of TDUs	309,091	4.90
Benefit of other GST input tax credits currently due	2,280	0.04
Proceeds from the Capital Raising <sup>1</sup>	5,000,000	79.22
Cash acquired from Pearl, current Pearl cash balance as at 30 September 2017 <sup>1</sup>	500,000	7.92
Issue of options to Cadmon Advisory Pty Ltd or its nominees <sup>1</sup>	3,600	0.06
<b>Total sources</b>	<b>6,311,769</b>	<b>100</b>

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<b>Sources and uses of funds</b>	<b>(\$)</b>	<b>%</b>
<b>Uses</b>		
Remaining costs of the Capital Raising to be paid <sup>2</sup>	(550,150)	8.72
Director sign on fee payment <sup>1</sup>	(300,000)	4.75
Administrator fees/DOCA amounts remaining to be paid	(155,000)	2.46
<b>Expected cash balance following completion of the Recapitalisation Proposal</b>	<b>5,306,619</b>	<b>84.07</b>
<b>Committed costs as at the date of this document:</b>		
Continuing investment in research and development <sup>3</sup>	(230,000)	3.64
Purchase of a TDU	(1,400,000)	22.18
Purchase of an additional TDU in year 2	(2,000,000)	31.69
<b>Total continuing investment in research and development and other committed costs</b>	<b>(3,630,000)</b>	<b>57.51</b>
Working capital <sup>4</sup>	(1,676,619)	26.56
<b>Total uses</b>	<b>(6,311,769)</b>	<b>100</b>

**Notes:**

1. Refer to Annexure A for further details relating to the pro forma adjustments that are expected to occur as a consequence of the Recapitalisation Proposal.
2. This amount represents the remaining costs to be paid as at 30 September 2017.
3. Research and development costs in connection with the research and development Pearl will continue to undertake with Keshi relating to the Project and technology.
4. Working capital will be applied to meet future operational expenses of the business which are not currently known/committed to and to maintain a surplus operating contingency for the business.

Further details on the use of funds are provided in the Prospectus.

- (g) A voting exclusion statement is included in the Notice.

**Directors' recommendation**

The passing of Resolution 3 is conditional upon, and subject to, each of the other Resolutions being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 3, you should also vote in favour of each other Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

**Resolution 4 – Issue of New Options to Cadmon Advisory Pty Ltd**

Resolution 4 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of up to 36,000,000 New Options exercisable at \$0.30 each within 3 years from their date of issue.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- (a) The maximum number of New Options to be issued is 36,000,000.
- (b) The New Options will be issued no later than three months after the date of the Meeting or such later date as permitted by ASX and it is intended that the New Options will be issued on the same date.
- (c) The New Options will be issued and made available for subscription for \$0.0001 per option in satisfaction of services provided to the Company in connection with the Capital Raising.
- (d) The New Options will be made available for subscription to Cadmon Advisory Pty Ltd (or its respective nominees) none of whom is a related party of the Company.
- (e) The New Options will be issued on the terms set out in Annexure B to this Notice.
- (f) Up to \$3,600 will be raised from the issue of the New Options. The funds raised from the issue of the New Options are intended to be used, together with the additional sources of funds set out in paragraph (f) of the additional information provided in respect of Resolution 3 on page 42, for the purposes set out in that paragraph.
- (g) A voting exclusion statement is included in the Notice.

***Directors' recommendation***

The passing of Resolution 4 is conditional upon, and subject to, each of the other Resolutions being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 4, you should also vote in favour of each other Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

**Resolution 5 – Issue of Shares and New Options to Pearl Series A Noteholders**

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***Background***

Resolution 5 seeks approval by Shareholders for the issue of Shares and New Options to the Pearl Series A Noteholders (or their respective nominees), for the purposes of ASX Listing Rule 7.1.

Pearl has issued an aggregate principal amount of \$2,995,000 of convertible notes to the Pearl Series A Noteholders. The notes were issued on 15 January 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 the Company's securities will be reinstated to quotation on conditions acceptable to the Company (acting reasonably), the notes will automatically convert into Shares with attaching New Options.

The notes were issued in order to partially fund amounts payable in respect of a settlement in relation to the 2015 Pearl Share Purchase Agreement, for the development of Pearl's Queensland site and to provide working capital to Pearl, including in respect of anticipated costs associated with the Pearl Acquisition and the Recapitalisation Proposal.

## **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- (a) The Company will issue:
- (i) such number of Shares as is calculated in accordance with the following formula:

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

where:

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

- (ii) such number of New Options as is calculated in accordance with the following formula:

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

where:

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

- (b) The Shares and the New Options will be issued to the Pearl Series A Noteholders (being those parties listed in Annexure D) (or their respective nominees), none of whom is a related party of the Company.
- (c) The Shares and New Options will be issued no later than three months after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares and New Options will be issued on the same date.
- (d) The Shares will be issued for a deemed issue price of \$0.16 per Share in satisfaction of the outstanding principal amount under the Pearl Series A Convertible Notes at the time of conversion. The New Options will be issued for nil consideration. Accordingly, no funds will be raised from the issue of the Shares and the New Options.
- (e) The Shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares. The New Options will be issued on the terms set out in Annexure B to this Notice.
- (f) A voting exclusion statement is included in the Notice.

### **Directors' recommendation**

The passing of Resolution 5 is conditional upon, and subject to, each of the other Resolutions being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 5, you should also vote in favour of each other Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

## **Resolution 6 – Issue of Shares to current Director, Victor Turco**

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### **General**

Pursuant to Resolution 6, the Company is seeking Shareholder approval for the allotment and issue of 500,000 Shares to Victor Turco (a current Director), or his nominee, at a deemed issue price of \$0.20 per Share in satisfaction of \$100,000 of accrued directors fees.

### **Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act. One of the exceptions is where the financial benefit constitutes part of the related party's "reasonable remuneration".

The issue of Shares constitutes giving a financial benefit, and Victor Turco is a related party of the Company by virtue of being a current Director.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Shares to Victor Turco because the Shares will be issued in satisfaction of accrued directors fees which are considered to be reasonable remuneration and on the same terms as Shares issued to participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

### **ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Shares are proposed to be issued to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. The Directors consider that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **Technical information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Placement:

- (a) The Shares will be allotted and issued to Victor Turco, being a current director of the Company (or his nominee).
- (b) The number of Shares to be issued is 500,000.

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- (c) The Shares will be issued no later than one month after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares will be issued on the same date.
  - (d) The deemed issue price will be \$0.20 per Share, being the same issue price as all other Shares issued under the Capital Raising.
  - (e) The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
  - (f) No funds will be raised from the issue as the Shares are being issued in satisfaction of accrued directors fees.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

#### ***Directors' recommendation***

The passing of Resolution 6 is conditional upon, and subject to, each of the other Resolutions being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 6, you should also vote in favour of each other Resolution.

**Victor Turco declines to make a recommendation to Shareholders in respect of Resolution 8 due to his material personal interest in the outcome of this Resolution.**

**Bert Huys recommends Shareholders vote in favour of this Resolution.**

### **Resolution 7 – Issue of Shares to Pearl Series B Noteholders**

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#### ***Background***

Resolution 7 seeks approval by Shareholders for the issue of Shares to the Pearl Series B Noteholders (or their respective nominees), for the purposes of ASX Listing Rule 7.1.

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 the Company's securities will be reinstated to quotation on conditions acceptable to the Company (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.

#### ***ASX Listing Rule 7.1***

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- (a) The Shares will be issued to the Pearl Series B Noteholders (being those parties listed in Annexure E) (or their respective nominees), none of whom is a related party of the Company.
- (b) The Company will issue a maximum of 3,750,000 Shares.
- (c) The Shares will be issued no later than three months after the date of the Meeting or such later date as permitted by ASX. It is intended that all Shares will be issued on the same date.
- (d) The Shares will be issued for a deemed issue price of \$0.20 per Share in satisfaction of the outstanding principal amount under the Pearl Series B Convertible Notes at the time of conversion. Accordingly, no funds will be raised from the issue of the Shares.
- (e) The Shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- (f) A voting exclusion statement is included in the Notice of Meeting.

***Directors' recommendation***

The passing of Resolution 7 is conditional upon, and subject to, each of the other Resolutions being approved by Shareholders. Accordingly, if you intend to vote in favour of Resolution 7, you should also vote in favour of each other Resolution.

**The Directors recommend Shareholders vote in favour of this Resolution.**

## Glossary

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In this document the following definitions apply:

<b>\$</b>	means Australian dollars.
<b>2015 Pearl Share Purchase Agreement</b>	means the agreement dated 25 November 2015 between (amongst other parties) the Company, Pearl and the Pearl Vendors providing for the initial purchase of 40% of the issued share capital of Pearl and the subsequent purchase of the remaining 60% of the issued share capital of Pearl.
<b>Acquisition Agreement</b>	means the Share Purchase Agreement dated 29 May 2017 between the Company and the Pearl Vendors for the purchase by the Company of the entire issued share capital of Pearl.
<b>Administrators</b>	means Richard Tucker and Scott Langdon of the Deed Administrator Firm in their capacities as several administrators of the Company.
<b>Appointment Date</b>	means the date of appointment of the Administrators, being 20 September 2016.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited ACN 008 624 691 or, as the context requires, the Australian Securities Exchange operated by ASX Limited.
<b>ASX Listing Rules</b>	means the Listing Rules of ASX.
<b>Board</b>	means the board of directors of the Company.
<b>Bonus Issue</b>	means the bonus issue of New Options referred to in section 2(c) of the Explanatory Statement.
<b>Business Day</b>	means a day other than a Saturday, Sunday or public holiday in Western Australia.
<b>Capital Raising</b>	means the capital raising the subject of Resolution 3.
<b>Chair</b>	means the person chairing the meeting.
<b>Claim</b>	means any action, demand, suit, proceeding, debt, claim, loss, damage or other liability (present or future, certain or contingent, ascertaining or sounding in damages) whatsoever and howsoever incurred arising directly or indirectly from any act or omission by the Company or by any agreement, circumstance or event occurring on or before the Appointment Date.
<b>Company or Citation</b>	means Citation Resources Ltd ACN 118 710 508 (Subject to Deed of Company Arrangement).
<b>Computershare</b>	means Computershare Investor Services Pty Limited ABN 078 279 277.
<b>Consideration Shares</b>	means 79,999,996 Shares proposed to be issued in consideration for the Pearl Acquisition.

<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Creditors</b>	means those persons having a Claim against the Company which has been accepted by the Administrators.
<b>Creditors' Trusts</b>	means the Landau Creditors' Trust, the Ordinary Unsecured Creditors' Trust, the Trust Creditors' Trust and the Shareholder Creditors' Trust.
<b>Creditors' Trust Deeds</b>	means the Landau Creditors' Trust Deed, the Ordinary Unsecured Creditors' Trust Deed, the Trust Creditors' Trust Deed and the Shareholder Creditors' Trust Deed.
<b>Deed Administrator Firm</b>	means KordaMentha, of Level 10, 40 St Georges Terrace, Perth WA 6000.
<b>Deed Administrators</b>	means Richard Tucker and Scott Langdon of the Deed Administrator Firm in their capacity as several administrators of the DOCA.
<b>Directors</b>	means the current directors of the Company.
<b>DOCA</b>	means the Deed of Company Arrangement between the Company and the Proponents dated 27 February 2017.
<b>Explanatory Statement</b>	means the explanatory statement accompanying this Notice.
<b>General Meeting or Meeting</b>	means the meeting convened by this Notice.
<b>Hyder Report</b>	means the report commissioned by the National Environment Protection Council, and prepared by Hyder Consulting in 2015.
<b>Intellectual Property</b>	has the meaning given to that term in section 3.5 of the Explanatory Statement.
<b>Keshi</b>	means Keshi Technologies Pty Ltd ACN 608 957 259.
<b>Landau Creditors</b>	means the Creditors set out in Schedule 1 of the DOCA, being persons who applied for Shares under the Company's prospectus dated 23 October 2015 but who received neither Shares nor a refund of the application monies.
<b>Landau Creditors' Trust</b>	means the trust created by the Landau Creditors' Trust Deed.
<b>Landau Creditors' Trust Deed</b>	means the trust deed entered into by the Company and the Deed Administrators as Trustees, for and on behalf of the Landau Creditors.
<b>Licence Agreement</b>	has the meaning given to that term in section 3.5 of the Explanatory Statement.
<b>New Option</b>	means an Option on the terms set out in Annexure B.

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<b>Notice or Notice of Meeting</b>	means this notice of general meeting including the Explanatory Statement and the Proxy Form.
<b>Option</b>	means an option to subscribe for a Share.
<b>Ordinary Unsecured Creditors</b>	means the Creditors set out in Schedule 2 of the DOCA, being ordinary unsecured Creditors.
<b>Ordinary Unsecured Creditors' Trust</b>	means the trust created by the Ordinary Unsecured Creditors' Trust Deed.
<b>Ordinary Unsecured Creditors' Trust Deed</b>	means the trust deed entered into by the Company and the Deed Administrators as Trustees, for and on behalf of the Ordinary Unsecured Creditors.
<b>Pearl</b>	means Pearl Global Pty Ltd ACN 123 190 894.
<b>Pearl Acquisition</b>	means the proposed acquisition by the Company of the entire issued share capital of Pearl.
<b>Pearl Loan Agreement</b>	means the Pearl Loan Agreement dated 10 May 2017 between the Company and Pearl for the provision of financial accommodation by the Company to Pearl by way of a loan, as summarised in section 6 of the Explanatory Statement.
<b>Pearl Series A Convertible Notes</b>	means the non-interest bearing convertible notes issued by Pearl to the Pearl Noteholders in an aggregate principal amount of \$2,995,000, which notes are convertible into Shares in the circumstances described in Part 2 of the Explanatory Statement under the heading 'Resolution 5' on page 45.
<b>Pearl Series A Noteholders</b>	means the holders of the Pearl Series A Convertible Notes, as set out in Annexure D.
<b>Pearl Series B Convertible Notes</b>	means the non-interest bearing convertible notes issued by Pearl to the Pearl Series B Noteholders in an aggregate principal amount of \$750,000, which notes are convertible into Shares in the circumstances described in Part 2 of the Explanatory Statement under the heading 'Resolution 7' on page 48.
<b>Pearl Series B Noteholders</b>	means the holders of the Pearl Series B Convertible Notes, as set out in Annexure E.
<b>Pearl Vendors</b>	means those persons who hold shares in Pearl, as set out in Annexure C.
<b>PPSR</b>	means the Personal Property Securities Register implemented in accordance with the Personal Property Securities Act 2009 (Cth).

<b>Proponents</b>	means Andrew Drennan as trustee for the Drennan Family Trust, Bretnall Custodians Pty Ltd (ACN 091 315 516) as trustee for the Foster Family Trust, Erasmus Technologies Pty Ltd (ACN 119 948 793), Camina Pty Ltd (ACN 008 876 579) as trustee for the Cocks Family Trust, Ashelmeyer Pty Ltd (ACN 009 137 633) as trustee for the AH Nicols Family Trust and Greenlink Pty Ltd (ACN 604 799 439) as trustee for the Debsago Trust, each of which is a Pearl Vendor.
<b>Prospectus</b>	means the replacement prospectus of the Company in relation to the Capital Raising dated 21 August 2017 (which replaced the Company's original prospectus dated 10 July 2017), as supplemented by the Company's "refresh" supplementary prospectus dated 4 October 2017 and as may be further supplemented or replaced from time to time.
<b>Proxy Form</b>	means the proxy form accompanying this Notice.
<b>Recapitalisation Proposal</b>	means the proposal for the recapitalisation of the Company, including the Pearl Acquisition, described in section 2 of Part 1 of the Explanatory Statement.
<b>Resolutions</b>	means the resolutions to be considered by Shareholders at the Meeting, as set out in this Notice of Meeting.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a registered holder of one or more Shares.
<b>Shareholder Creditors</b>	means: <ul style="list-style-type: none"> <li>(a) the Pearl Vendors in respect of any Claim they have against the Company; and</li> <li>(b) any Creditor who has a Claim against the Company that: <ul style="list-style-type: none"> <li>(i) is subordinated by reason of section 563A of the Corporations Act; or</li> <li>(ii) are deemed so by the Deed Administrators in their absolute discretion.</li> </ul> </li> </ul>
<b>Shareholder Creditors' Trust</b>	means the trust created by the Shareholder Creditors' Trust Deed.
<b>Shareholder Creditors' Trust Deed</b>	means the trust deed entered into by the Company and the Deed Administrators as Trustees, for and on behalf of the Shareholder Creditors.
<b>TDU</b>	means thermal desorption unit.
<b>Project</b>	has the meaning given in section 3.1 of the Explanatory Statement.
<b>TRR</b>	means Tyre Resource Recovery Pty Ltd ACN 167 545 815.

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<b>Trust Creditors</b>	means the Creditors: <ul style="list-style-type: none"><li>(a) who subscribed for shares in the Company under the Company's prospectus dated 23 October 2015 and paid application moneys to be held on trust but never received shares in the Company nor a refund of the application moneys; or</li><li>(b) who are deemed so by the Deed Administrators in their absolute discretion.</li></ul>
<b>Trust Creditors' Trust</b>	means the trust created by the Trust Creditors' Trust Deed.
<b>Trust Creditors' Trust Deed</b>	means the trust deed entered into by the Company and the Deed Administrators as Trustees, for and on behalf of the Trust Creditors.
<b>WST</b>	means Western Standard Time as observed in Perth, Western Australia.

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## Annexure A Pro-forma Statement of Financial Position

As at 30 June 2017	CTR Audited \$'000	Adj Unaudited \$'000	Pro Forma Unaudited \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	771	3,314	4,085
Trade and other receivables	1,087	(838)	249
<b>TOTAL CURRENT ASSETS</b>	<b>1,856</b>	<b>2,476</b>	<b>4,334</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	-	2,221	2,221
Development assets	-	985	985
Other non current assets held for sale	-	1,306	1,306
<b>TOTAL NON CURRENT ASSETS</b>	<b>-</b>	<b>4,512</b>	<b>4,512</b>
<b>TOTAL ASSETS</b>	<b>1,856</b>	<b>6,988</b>	<b>8,846</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	435	651	1,086
Borrowings	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>435</b>	<b>651</b>	<b>1,086</b>
<b>TOTAL LIABILITIES</b>	<b>435</b>	<b>651</b>	<b>1,086</b>
<b>NET ASSETS</b>	<b>1,423</b>	<b>6,337</b>	<b>7,760</b>
<b>SHAREHOLDERS EQUITY</b>			
Share capital	47,483	(37,074)	10,409
Reserves	3,197	1,407	4,604
Accumulated losses	(49,257)	42,004	(7,253)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>1,423</b>	<b>6,337</b>	<b>7,760</b>

## Subsequent events and pro forma adjustments

The following transactions contemplated as part of the Recapitalisation Proposal which are to take place on or before the completion of the Capital Raising, referred to as the subsequent events and pro forma adjustments, are presented as if they, together with the Capital Raising, had occurred on or before 30 June 2017 and are set out below.

With the exception of the subsequent events and pro forma transactions noted below no other material transactions have occurred between 30 June 2017 and the date of this document which the Directors consider require disclosure.

### Subsequent events:

1. On 27 February 2017, a DOCA was executed by the Company which included the following key terms and a net cash payment of \$5 million including the administrators fees:
  - a) An ex gratia payment be distributed to specific creditors, in accordance with the settlement reached with Peter Landau, through a creditors trust;
  - b) The claims of other creditors are to be resolved through the creation and funding of three other creditors trusts in respect of various categories of creditor; and
  - c) The implementation of a recapitalisation of the Company.
2. The issue of convertible notes to the value of \$0.750 million which will convert to 3,750,000 Shares at completion of the Capital Raising at a conversion price of \$0.20 per Share.
3. Operating expenses incurred between 30 June 2017 and 30 September 2017 for both the Company (\$0.3 million) and Pearl (\$1.2 million).

### Pro forma transactions:

4. **“Pearl acquisition”**: the acquisition of the entire issued share capital of Pearl in consideration for the issue to the Pearl Vendors of 80,000,000 new Shares at a value of \$0.20 per Share, and a total fair value of \$16 million.
5. **“Plant and equipment acquisition”**: the purchase of plant and equipment amounting to \$1.5 million in relation to the purchase of a Thermal Desorption Unit (TDU).
6. **“Issue of shares to a Director in satisfaction of accrued fees”**: the issue by the Company of 500,000 Shares to Victor Turco, a Director of the Company, at a deemed issue price of \$0.20 per Share (fair value of \$0.1 million) in satisfaction of accrued directors fees. This Share issue will be treated as a share based payment and consequently expensed,
7. **“The Capital Raising”**: the issue of up to 25 million Shares, at \$0.20 per Share, amounting to \$5 million under the Capital Raising.
8. **“Capital Raising costs”**: total expenses associated with the Capital Raising (including broking, legal, accounting and administrative fees as well as printing, advertising and other expenses) are estimated to be \$0.8 million (inclusive of GST) under the Capital Raising. Approximately \$0.3 million of these costs have been capitalised against equity, and the remaining costs expensed. Approximately \$0.7 million of these offer costs remain unpaid at 30 June 2017. No GST has assumed to be recoverable. No deferred tax asset has been

recognised in relation to the offer costs due to the uncertainty of when profits will be generated in the future.

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## Annexure B Terms of New Options

The terms of the Options to be issued as contemplated in Resolutions 4 and 5 are as follows:

**(a) Entitlement**

Subject to paragraph (m), each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

**(b) Exercise Price and Expiry Date**

Subject to paragraphs (j) and (l), the amount payable upon exercise of each New Option will be \$0.30 (**Exercise Price**).

**(c) Expiry Date**

Each New Option will expire at 5:00pm (WST) on the date falling 3 years after their issue date (**Expiry Date**). A New Option not exercised before that time will automatically lapse at that time.

**(d) Exercise Period**

The New Options are exercisable at any time on or prior to 5:00pm (WST) on the Expiry Date (**Exercise Period**).

**(e) Notice of Exercise**

The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the New Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

**(f) Exercise Date**

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

**(g) Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

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

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

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with

ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

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

**(h) Shares issued on exercise**

Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

**(i) Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

**(j) Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of each holder of one or more New Options are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**(k) Participation in new issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

**(l) Adjustment for rights issue**

In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the New Options, the Exercise Price will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

**(m) Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a New Option will be increased by the number of Shares which the holder of the New Option would have received if the holder had exercised the New Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

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**(n) Quoted**

The Company will apply for quotation of the New Options on ASX.

**(o) Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## Annexure C Pearl Vendors

Name	Number of Pearl shares held	Number of Shares currently held	Number of Consideration Shares to be issued
Bretnall Custodians Pty Ltd (an associate of Gary Foster, a proposed Director)	14,060,448	645,772	18,358,407
Andrew Michael Drennan (a proposed Director)	10,262,745	471,350	13,399,833
O'Brien Investments Management Pty Ltd	814,030	86,633	1,062,860
Tampilo Pty Ltd	814,030	305,441	1,062,860
Goldzen Corporation Pty Ltd	624,839	28,697	815,838
Sci-Port Pty Ltd	624,839	37,490	815,838
Paris Asset Pty Ltd	624,837	28,697	815,835
Camina Pty Ltd	612,139	28,114	799,256
Toltec Holdings Pty Ltd	407,015	23,969	531,430
Seamont Holdings Pty Ltd	407,015	40,853	531,430
Erasmus Technologies Pty Ltd	8,189,721	376,140	10,693,132
Paul Stewart Dental Ceramics Pty Ltd	407,015	36,281	531,430
Ferncastle Holdings Pty Ltd	407,015	89,045	531,430
Ashelmeyer Pty Ltd	306,069	14,057	399,627
Greenlink Pty Ltd	256,794	117,321	335,290
Tand Superannuation Fund Pty Ltd	203,508	16,381	265,716
Breemia Pty Ltd	184,425	17,798	240,800
Kedo (Aust) Pty Ltd	5,669,585	562,906	7,402,648
Jetland Investments Pty Ltd	162,806	25,065	212,572
Elliot Yeo	81,403	10,773	106,286
Golden Asset Pty Ltd	1,702,279	78,182	2,222,627
Benjamin Doolan	1,424,553	65,427	1,860,006
Terasse (WA) Pty Ltd	1,082,660	56,759	1,413,605
Bachilton Pty Ltd	1,017,538	74,873	1,328,576
Taylor-Made (WA) Pty Ltd	814,030	86,636	1,062,860
3rd Reef Pty Ltd	3,000,000	137,784	3,917,032
David Bartley and Sarah Mitchell	814,030	37,386	1,062,860
Paul Geoffrey Mathews and Celyna Jade Mathews	572,834	87,338	747,936
Simon Jenkins and Zoe Jenkins	407,015	18,693	531,430
Michael Bernard Brennan and Kathleen Louise Brennan	407,015	50,351	531,430
Frank Murgia and Gillian Murgia	203,508	16,381	265,716
Paul Gerrard Higgins	203,508	23,416	265,716
Westedge Investments Pty Ltd	4,501,636	206,752	5,877,684

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<b>Name</b>	<b>Number of Pearl shares held</b>	<b>Number of Shares currently held</b>	<b>Number of Consideration Shares to be issued</b>
<b>Total</b>	<b>61,270,884</b>	<b>3,902,761</b>	<b>79,999,996</b>

## Annexure D Pearl Series A Noteholders

Name	Principal amount of Pearl Series A Convertible Notes held (\$)	Number of new Shares to be issued upon conversion	Number of New Options to be issued upon conversion
Hamish Hughes	100,000	625,000	208,333
Max Beauvais Pty Ltd <Max Beauvais Super>	250,000	1,562,500	520,833
Michael Stone	200,000	1,250,000	416,666
Carrick Roads Superannuation Fund	50,000	312,500	104,166
Ms Bess Annie Moraro	50,000	312,500	104,166
Urban Alcorp Pty Ltd <The Jo Rylance Family A/C>	65,000	406,250	135,416
PSTL Glendene Pty Ltd ATF PTSL Trust	50,000	312,500	104,166
Mrs Jody Suzanne Rybarczyk	5,000	31,250	10,416
Brett Dominguez	50,000	312,500	104,166
Karakale Pty Ltd ATF The Omerogullari Family Trust	50,000	312,500	104,166
CRS Partners Group Pty Ltd ATF CR Smith Family Trust	50,000	312,500	104,166
Harbour Asia Opportunity Master Fund	500,000	3,125,000	1,041,666
First Growth Funds Limited	350,000	2,187,500	729,166
Viking Wai Kin Kwok	50,000	312,500	104,166
South Creek Investments Limited	50,000	312,500	104,166
Rajesh Ramesh Melwani	50,000	312,500	104,166
Wymond Investments Pty Ltd	100,000	625,000	208,333
Mr Steven Lyle Hadjifotis and Msr Samantha Jane Gerard <Hudgies Family A/C>	100,000	625,000	208,333
Acelake Nominees Pty Ltd <Carter Super Fund A/C>	50,000	312,500	104,166
APH Enterprises Pty Ltd <Aaron Hogan Family A/C>	50,000	312,500	104,166
Coopers Lane Investments Pty Ltd <M&L Brown Family A/C>	100,000	625,000	208,333
Ms Miranda Clare Wood	50,000	312,500	104,166
Daniel Pryor & Associates Pty Ltd	50,000	312,500	104,166
Berne No 132 Nominees Pty Ltd <1253672 A/C>	200,000	1,250,000	416,666
Suetone Pty Ltd <The A K Shadforth Family a/c>	100,000	625,000	208,333
Red and White Holdings Pty Ltd <Blood Super Fund A/C>	150,000	937,500	312,500

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<b>Name</b>	<b>Principal amount of Pearl Series A Convertible Notes held (\$)</b>	<b>Number of new Shares to be issued upon conversion</b>	<b>Number of New Options to be issued upon conversion</b>
John Storen Bailie	25,000	156,250	52,083
Mutual Trust Pty Ltd	50,000	312,500	104,166
Zedit Pty Ltd ATF The Pragastis Family Trust	50,000	312,500	104,166
<b>Total</b>	<b>2,995,000</b>	<b>18,718,750</b>	<b>6,239,567</b>

## Annexure E Pearl Series B Noteholders

Name	Principal amount of Pearl Series B Convertible Notes held (\$)	Number of new Shares to be issued upon conversion
Mick Carroll Super Pty Ltd	300,000	1,500,000
Thor Holdings Pty Ltd	200,000	1,000,000
Robertino Galipo as trustee for The Rob Galipo Family Trust	100,000	500,000
Carmelo Galipo	90,000	450,000
Carmelo and Alessandra Galipo	25,000	125,000
Philip Galipo	20,000	100,000
Rita Galipo	15,000	75,000
<b>Total</b>	<b>750,000</b>	<b>3,750,000</b>

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