



CITATION
RESOURCES

CITATION RESOURCES LTD AND ITS SUBSIDIARIES

(Administrators Appointed)

Consolidated Interim Financial Statements

For the Half Year Ended 31 December 2016

ABN 90 118 710 508

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Corporate Directory

Citation Resources Ltd ABN 90 118 710 508

Directors

Mr Victor Turco (Non-Executive Director) – appointed 1 December 2015

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

Voluntary Administrators

Richard Tucker – appointed 20 September 2016

Scott Langdon – appointed 20 September 2016

Company Secretary

No Company Secretary appointed.

Registered Office

Level 1, Wesley Central

8-12 Market Street

Fremantle WA 6160

Business Office

Level 1, Wesley Central

8-12 Market Street

Fremantle WA 6160

Administrators

KordaMentha Restructuring

Level 10, 40 St Georges Terrace

Perth 6000

Western Australia, Australia

Share Registrar

Computershare Investor Services Pty Limited

Level 2

45 St Georges Terrace

Perth WA 6000

Auditors

Grant Thornton Audit Pty Ltd

Level 1, 10 Kings Park Road

West Perth WA 6005

ASX Ticker code

Shares – CTR

Listed options – CTROA

Directors' Report

The Directors present their report of Citation Resources Ltd and its controlled entities ("the Group" or "the Company" or "Citation") for the half year ended 31 December 2016 ("the period").

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

DIRECTORS

The following persons were Directors of Citation Resources Ltd during the half year and up to the date of the report:

Victor Turco *Appointed as Non-Executive Director on 1 December 2015*

Bert Huys *Appointed as Non-Executive Director on 19 January 2016*

VOLUNTARY ADMINISTRATORS

The following persons have been appointed to act as joint and several Voluntary Administrators for Citation Resources Ltd during the half year and up to the date of the report:

Richard Tucker *Appointed 20 September 2016*

Scott Landon *Appointed 20 September 2016*

REVIEW OF OPERATIONS

Pearl Global

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

However, due to administrative issues, the Company did not complete the acquisition of the remaining 60% shareholding interest in Pearl Global Pty Ltd ('Pearl') by 30 June 2016 which triggered Pearl to buy back Citation's 40% shareholding in Pearl.

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

Guatemala – Atzam Project

The Company reached an in principle agreement with Latin American Resources Limited ("LAR") in November 2015 whereby the Company reduced to a 10% finance carried equity interest in LAR. In addition to the 10% carried interest, the Company will also have an option to acquire an additional 5% interest by paying US\$1m within 12 months from completion of the agreement.

The Company relinquished its rights to the 10% LAR holding as at 1 October 2016.

Directors' Report

Corporate

Appointment of Voluntary Administrators

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

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

Settlement of claims against former director, Peter Landau

On 2 December 2016, the Company finalised an agreement with Mr Peter Landau, a former director of the Company to settle the Company's claim against him. Pursuant to that settlement, an amount of \$2 million was advanced to the Company on 10 January 2017 by way of ex-gratia payment by a third party, to be held on trust for the purpose of making distributions to certain creditors of the Company (being certain persons who applied for shares under the Company's prospectus dated 23 October 2015 but who did not receive shares or a refund of the application monies, and other creditors) under a deed of company arrangement ('DOCA') ('Ex-Gratia Payment').

Creditors' meeting and DOCA

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Pearl acquisition involves a significant change to the nature of the Company's main business activity from exploring and developing oil and gas assets to the commercialisation of an industrial process involving the reclamation of reusable and saleable products from used tyres/rubber in accordance with applicable environmental laws in Australia.

Furthermore, the Pearl Acquisition involves a significant change to the size of the Company's business operations.

Given these circumstances, ASX has exercised its discretion to require the significant change to the nature and scale of the Company's main business activity to be approved by the Company's Shareholders under ASX Listing Rule 11.1.2. This approval is sought from Shareholders in Shareholders' General Meeting dated

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to period end, at the Second Meeting of Creditors, the creditors of the Company unanimously resolved that the Company should enter into a DOCA and creditors' trust deeds substantially in the form proposed by certain shareholders of Pearl. The DOCA was executed on 27 February 2017.

Overview of DOCA

A summary of the key terms of the DOCA are as follows:

- the Ex-Gratia Payment is to be distributed to specific creditors, in accordance with the settlement reached with Mr Peter Landau, through a creditors' trust
- 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
- the implementation of a recapitalisation of the Company

Directors' Report

Recapitalisation Proposal

The material terms of the Recapitalisation Proposal are set out in the DOCA, and comprise:

- (a) **Consolidation.** The consolidation of the existing issued capital of the Company on a 7 for 199 basis
- (b) **Discharge of secured creditors.** Any party with a valid security in respect of the Company registered on the PPSR discharging that security interest.
- (c) **Bonus Issue.** A bonus issue to Shareholders of New Options, on the basis of one New Option for every three Shares held (on a post-Consolidation basis). The record date for the Bonus Issue is dependent on the date of closing of the Capital Raising and satisfaction of the conditions to the Capital Raising, but will be prior to the issue of the Consideration Shares, the Shares under the Capital Raising and the other issues of Shares contemplated by the Resolutions. The record date for the Bonus Issue will be announced in due course.
- (d) **Pearl Acquisition.** The acquisition of the entire issued share capital of Pearl in consideration for the issue to the Pearl Vendors of 80,000,000 new Shares (on a post-Consolidation basis).
- (e) **New Licence Agreement.** The entry into of the New Licence Agreement in respect of the intellectual property which underpins Pearl's business.
- (f) **Capital Raising.** The issue by the Company of up to 25,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.20 per Share under the Prospectus to raise up to \$5,000,000. The Capital Raising is to incorporate a priority offer to persons who made an application to purchase Shares under the Company's prospectus dated 23 October 2015, but who did not receive shares or a refund, up to the amounts returned to them pursuant to the DOCA and (as the case may be) the Landau Creditors' Trust or the Trust Creditors' Trust.
- (g) **Conversion of Pearl Convertible Notes.** The issue by the Company of 18,718,750 Shares and 6,239,567 New Options (each on a post-Consolidation basis) to the Pearl Noteholders, on conversion of the Pearl Convertible Notes of \$2,995,000.
- (h) **Issue of Shares to a Director in satisfaction of accrued fees.** The issue by the Company of 500,000 Shares (on a post-Consolidation basis) to Mr Victor Turco, a Director of the Company (or his nominee(s)) at a deemed issue price of \$0.20 per Share in satisfaction of accrued director's fees.
- (i) **Issue of New Options to advisers, brokers and promoters.** The issue by the Company of up to 36,000,000 New Options (on a post-Consolidation basis) to certain advisers, brokers and promoters in connection with the Recapitalisation Proposal at an issue price of \$0.0001 per New Option.
- (j) **Reinstatement to quotation.** Following lodgement of the Prospectus, the Company will make an application to the ASX for its Shares, the existing listed Options and the New Options to be reinstated to quotation on the ASX.

Effectuation of the DOCA is subject to various conditions, including:

- shareholders of Pearl approving the DOCA, to be received within 14 days of execution of the DOCA
- the shareholders in Pearl agreeing to a share purchase agreement for the sale of their Pearl shares to the Company as referred to above
- the owner of the intellectual property underpinning Pearl's business agreeing to the new licence agreement and option referred to above
- shareholders of the Company passing various resolutions required in connection with the recapitalisation of the Company. A notice of meeting in this regard will be despatched in due course.

A copy of the DOCA and the forms of the creditors' trust deeds can be found on the Company Announcement under ASX website, dated 27 February 2017. The above summary of the key terms of the DOCA and the creditors' trust deeds should be read in conjunction with these documents.

Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

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

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



Victor Turco
Director

3 May 2017

at Perth, Western Australia

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West Perth WA 6005

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CITATION RESOURCES LTD**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Citation Resources Ltd for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Petricevic
Partner - Audit & Assurance

Perth, 3 May 2017

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Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2016

		CONSOLIDATED 31 Dec 2016	CONSOLIDATED 31 Dec 2015
		\$	\$
Other income	5	80	2,739
Professional and consultancy fees		(388,517)	(460,918)
Directors fees		(18,000)	(239,000)
Regulatory expenses		(31,646)	(72,232)
Office and administrative overheads		(25,929)	(90,004)
Impairment on exploration assets		-	(689,812)
Impairment of receivable		-	(2,060,556)
Share in loss on investment in associate		-	(45,515)
Borrowing costs and interest charges		-	(19,548)
Loss on conversion of debt to equity	6	-	(478,497)
Loss before tax		(464,012)	(4,153,343)
Income tax expense		-	-
Loss for the period		(464,012)	(4,153,343)
Discontinued operations			
Loss on discontinued operations	7	-	(6,520,688)
Loss attributable to equity holders of Citation Resources Ltd for the half year		(464,012)	(10,674,031)
Other Comprehensive Income/(Loss):			
Reversal of impairment of assets		-	-
		(464,012)	(10,674,031)
Loss per share attributable to the owners of Citation Resources Ltd			
Basic and diluted loss per share (cents per share)		(0.18)	(12.49)

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

Statement of Financial Position

As at 31 December 2016

	Note	CONSOLIDATED 31 Dec 2016 \$	CONSOLIDATED 30 June 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	224,433	626,518
Trade and other receivables	9	2,018,253	2,000,000
		<u>2,242,685</u>	<u>2,626,518</u>
Non-current asset held for sale	10	3,300,000	3,300,000
Total current assets		<u>5,542,686</u>	<u>5,926,518</u>
Total assets		<u>5,542,686</u>	<u>5,926,518</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		219,223	139,043
Other current liabilities	11	1,390,450	1,390,450
Provisions		-	-
Borrowings	12	595,000	595,000
Total current liabilities		<u>2,204,673</u>	<u>2,124,493</u>
Net assets		<u>3,338,013</u>	<u>3,802,025</u>
EQUITY			
Contributed equity	13	47,483,386	47,483,386
Reserves		3,197,104	3,197,104
Accumulated losses		(47,342,477)	(46,878,465)
Total equity		<u>3,338,013</u>	<u>3,802,025</u>

*Restated. Refer to Notes 3 and 7 for details.

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

Statement of Changes in Equity

For the Half Year Ended 31 December 2016

	Issued Capital	Options Reserve	Share based payment reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
CONSOLIDATED EQUITY								
At 1 July 2015	36,668,838	769,829	1,517,387	2,446,884	(33,000,557)	8,402,381	4,247,527	12,649,908
Loss for the period	-	-	-	-	(4,153,343)	(4,153,343)	-	(4,153,343)
Total comprehensive income/(loss) for the period	-	-	-	-	(4,153,343)	(4,153,343)	-	(4,153,343)
Shares issued during the period	11,114,357	-	-	-	-	11,114,357	-	11,114,357
Share issue costs	(409,852)	-	-	-	-	(409,852)	-	(409,852)
Fair value movement on options	-	332,486	-	-	-	332,486	-	332,486
Effects of deconsolidating LAR	-	-	-	(2,446,884)	(6,520,688)	(8,967,572)	(4,247,527)	(13,215,099)
At 31 December 2015	47,373,343	1,102,315	1,517,387	-	(43,674,588)	6,318,457	-	6,318,457
At 1 July 2016	47,483,386	1,679,717	1,517,387	-	(46,878,465)	3,802,025	-	3,802,025
Loss for the period	-	-	-	-	(464,012)	(464,012)	-	(464,012)
Total comprehensive income/(loss) for the period	-	-	-	-	(464,012)	(464,012)	-	(464,012)
At 31 December 2016	47,483,386	1,679,717	1,517,387	-	(47,342,477)	3,338,013	-	3,338,013

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

Statement of Cash Flows

For the Half Year Ended 31 December 2016

CONSOLIDATED	Note	CONSOLIDATED	CONSOLIDATED
		31-Dec-16	31-Dec-15
		\$	\$
Cash flows from operating activities			
Receipts from customers		-	-
Payments to suppliers and employees (net GST)		(402,165)	(2,717,064)
Interest received		80	2,739
Net cash outflow used in operating activities		(402,085)	(2,714,325)
Cash flows from investing activities			
Payment for exploration and evaluation		-	-
Payment for investment in associate	10	-	(3,000,000)
Net cash outflow used in investing activities		-	(3,000,000)
Cash flows from financing activities			
Proceeds from issue of share and share options		-	5,984,357
Payment of share issue costs		-	(396,502)
Funds held in trust		-	1,671,400
Repayment of borrowings		-	(860,000)
Net cash provided/(used in) by financing activities		-	6,399,255
Net increase/(decrease) in cash and cash equivalents		(402,085)	684,930
Cash and cash equivalents at the beginning of the financial period		626,518	619,107
Cash and cash equivalents at the end of the financial period		224,433	1,304,037

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

Notes to the Condensed Consolidated Interim Financial Report

1. CORPORATE INFORMATION

The financial report of Citation Resources Ltd and its controlled entities (“the Group” or “the Company”) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 3 May 2017.

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

The principal activity of the Group during the half year was monitoring the exploration and development potential of its oil and gas properties in Guatemala and Texas whilst also assessing additional opportunities given the decline in the oil and gas prices experienced during the half year.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 ‘Interim Financial Reporting’. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group’s 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New Accounting Standards and Interpretations

The Group did not early adopt any standard, interpretation or amendment that has been issued but is not yet effective.

The Group did not adopt any new or revised standards, amendments or interpretations from 1 July 2016 which has any effect on the financial position or performance of the Group.

Estimates

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

Going Concern

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

The Group has reported a net loss attributable to members for the period of \$464,012 (31 December 2015: \$10,674,031), cash outflows from operating activities of \$ 402,086 (31 December 2015: \$2,714,325), current assets at the end of the period of \$5,542,686 (30 June 2016: \$5,926,518), and current liabilities of \$2,204,673 (30 June 2016: \$2,124,493).

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

- Upon implementation of the Recapitalisation Proposal, the Company will issue up to 25,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.20 per Share under the Prospectus to raise up to \$5,000,000. The Capital Raising is to incorporate a priority offer to persons who made an application to purchase Shares under the Company’s prospectus dated 23 October 2015, but who did not receive shares or a refund, up to the amounts returned to them pursuant to the DOCA and (as the case may be) the Landau Creditors’ Trust or the Trust Creditors’ Trust.;

Notes to the Condensed Consolidated Interim Financial Report

BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONT)

- As disclosed in the statement of financial position, on 2 December 2016, the Company finalised an agreement with Mr Peter Landau, an amount of \$2 million was advanced to the Company on 10 January 2017 by way of ex-gratia payment by a third party, to be held on trust for the purpose of making distributions to certain creditors of the Company (being certain persons who applied for shares under the Company's prospectus dated 23 October 2015 but who did not receive shares or a refund of the application monies, and other creditors) under a deed of company arrangement ('DOCA')

The Directors are confident that, subject to the achievement of the above matters along with the support of its Shareholders in the upcoming General meeting, the Group will be able to continue its operations as a going concern.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Provision of impairment on trade and other receivables

In December 2015, given uncertainty over the counterparty's ability to repay, a provision for impairment of \$2,060,556 was recognised in relation to the amount receivable to Peter Landau.

During the prior period, an indication of recoverability of \$2 million from Peter Landau triggered the reversal of the provision for impairment. On 2 December 2016, the Company finalised an agreement with Mr Peter Landau to settle the Company's claim against him. Pursuant to that settlement, an amount of \$2 million was advanced to the Company on 10 January 2017 by way of ex-gratia payment by a third party.

Deconsolidation

In late 2015, the Company reached an in principle agreement with Latin American Resources Ltd ("LAR") whereby the company reduced to a 10% finance carried equity interest in LAR. The agreement stipulated that if the Company chose not to exercise its option within the 12-month period, the Company would forfeit its carried 10% interest in LAR.

During the period, the Company relinquished its rights to the 10% LAR holding.

In compliance with Accounting Standards, the company deconsolidated its interest in LAR and restated its prior period financial statement.

4. DIVIDENDS

There are no dividends paid or declared during the period.

Notes to the Condensed Consolidated Interim Financial Report

5. REVENUE

	CONSOLIDATED 31-Dec-16	CONSOLIDATED 31-Dec-15
	\$	\$
<i>Revenue</i>		
Proceeds from crude sales	-	-
<i>Other revenue</i>		
Interest income	80	2,739
Other income	-	-
	80	2,739

6. NET LOSS ON CONVERSION OF DEBT TO EQUITY

	CONSOLIDATED 31-Dec-16	CONSOLIDATED 31-Dec-15
	\$	\$
Gain/(Loss) on settlement of third party short term financing facility	-	(478,497)
Net loss on conversion of debt to equity	-	(478,497)

*Restated. Refer to Notes 3 and 7 for details.

7. DISCONTINUED OPERATIONS

During the prior year, the company reached an in principle agreement with Latin American Resources Ltd ("LAR") whereby the company reduced to a 10% finance carried equity interest in LAR. In compliance with Accounting Standards, the group has deconsolidated its interest in LAR.

	31-Dec-15
	\$
Consideration received:	
Cash	Nil
Fair value of interest held in subsidiary	2,000,000
	2,000,000
Less:	
Other comprehensive income recognised in the profit and loss	(5,267,209)
Carrying amount of net assets upon deconsolidation	11,787,897
	(4,520,688)
Impairment of asset	(2,000,000)
Total loss on discontinued operations	(6,520,688)

7. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 31-Dec-16	CONSOLIDATED 30-Jun-16
	\$	\$
Cash	224,433	626,518
	224,433	626,518

Notes to the Condensed Consolidated Interim Financial Report

8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	CONSOLIDATED
	31-Dec-16	30-Jun-16
	\$	\$
Trade receivables	-	-
Other receivables (i)	2,018,253	2,000,000
	2,018,253	-

(i) Other receivables consist of receivable from Peter Landau, a former Director of the Company.

During the period, the Company finalised an agreement with Mr. Peter Landau to settle the Company's claims against him. An amount of \$2 million was advanced to the Company on 10 January 2017 by way of ex-gratia payment by a third party, to be held on trust for the purpose of making distributions to certain creditors of the Company under a deed of company agreement.

10. NON-CURRENT ASSET HELD FOR SALE

	CONSOLIDATED	CONSOLIDATED
	31-Dec-16	30-Jun-16
	\$	\$
Opening balance	3,300,000	-
Equity component purchase price	-	4,960,000
Cash component purchase price	-	3,000,000
Impairment of investment	-	(4,660,000)
Balance at the end of the year	3,300,000	3,300,000

During the period, the Company entered into a settlement agreement with Pearl Global Pty Ltd ('Pearl') which provided for a mutual release of all claims under the agreement dated 25 November 2015. As part of this settlement, the Company's 40% shareholding in Pearl was transferred back to Pearl's shareholders in consideration of a cash payment of \$3.3 million. Payment of \$3.3 million was made immediately, subsequent to period end.

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

Due to administrative issues, the Company did not complete the acquisition of the remaining 60% shareholding interest in Pearl Global Pty Ltd ('Pearl') by 31 December 2016 which triggered Pearl to buy back Citation's 40% shareholding in Pearl as per agreement. As a result, the investment is reclassified as non-current asset held for sale for \$3.3m, being the amount recoverable. Payment was made in January 2017.

11. OTHER CURRENT LIABILITIES

	CONSOLIDATED	CONSOLIDATED
	31-Dec-16	30-Jun-16
	\$	\$
Unissued shares	1,801,400	1,801,400
Less: adjustments as per DOCA	(410,950)	(410,950)
	1,390,450	1,390,450

(i) Funds to be refunded as part of oversubscriptions from October 2015 capital raising settled under a Deed of Company Agreement ('DOCA')

Notes to the Condensed Consolidated Interim Financial Report

11. OTHER CURRENT LIABILITIES (continued)

During the period, the Company finalised an agreement with Mr. Peter Landau to settle the Company's claims against him. An amount of \$2 million was advanced to the Company on 10 January 2017 by way of ex-gratia payment by a third party, to be held on trust for the purpose of making distributions to certain creditors of the Company under a deed of company agreement ('DOCA').

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

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

12. BORROWINGS

	CONSOLIDATED 31-Dec-16	CONSOLIDATED 30-Jun-16
	\$	\$
Short term financing facility ⁽¹⁾	615,000	615,000
Less: adjustment as per DOCA	(20,000)	(20,000)
Total borrowings	595,000	595,000

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

During the period, the Company finalised an agreement with Mr. Peter Landau to settle the Company's claims against him. An amount of \$2 million was advanced to the Company on 10 January 2017 by way of ex-gratia payment by a third party, to be held on trust for the purpose of making distributions to certain creditors of the Company under a deed of company agreement ('DOCA').

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

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

13. CONTRIBUTED EQUITY

(a) Issued Share Capital

	CONSOLIDATED 31-Dec-16 No of shares	CONSOLIDATED 30-Jun-16 No of shares	CONSOLIDATED 31-Dec-16 \$	CONSOLIDATED 30-Jun-16 \$
Fully paid ordinary shares	262,984,008	262,984,008	47,483,386	47,483,386
Reconciliation of share movement			No of shares	Issue Price
Opening balance at 1 July 2016			262,984,008	47,483,386
No shares were issued during the period		-	-	-
Balance at 31 December 2016			262,984,008	47,483,386

Notes to the Condensed Consolidated Interim Financial Report

13. CONTRIBUTED EQUITY (continued)

Reconciliation of share movement	No of shares	Issue Price	Amount
Opening balance at 1 July 2015	57,296,861		36,668,838
Shares issued as part of the 2:1 Shareholder Offer (ii)	123,687,147	\$0.05	6,184,357
Shares issued as initial consideration to the acquisition of 40% interest in Pearl (iii)	80,000,000	\$0.077	4,960,000
Shares issued upon exercise of options	2,000,000	\$0.05	100,000
Total shares issued	205,687,147		11,244,357
Less share issue costs	-		(429,809)
Balance at 30 June 2016	262,984,008		47,483,386

- (i) In the prior period, following the receipt of shareholder approval at the Company's EGM, the Company completed a consolidation of the capital on a 100:1 basis.
- (ii) In November 2015, the Company completed its \$6.15m capital raising by issuing 123,687,147 shares comprising the priority, top-up and public offer as approved by shareholders with significant number of oversubscriptions for shortfall and underwritten demand.
- (iii) In December 2015, the Company issued 80,000,000 shares as consideration for the acquisition by the Company of an initial 40% shareholding interest in Pearl Global Pty Ltd.

14. SEGMENT INFORMATION

Management has determined that the operating segments are based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from both a commodity type and geographical perspective and has identified two reportable segments.

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Tyre Recycling (Australia)	Corporate Costs (Australia)	Consolidated
<i>For the 6 months ending 31 December 2016:</i>	\$	\$	\$
Total segment revenue and other income	-	80	80
Segment loss for the period	-	(464,092)	(464,092)
Depreciation & amortisation	-	-	-
Total segment assets	-	5,542,686	5,542,686
Total segment liabilities	-	2,204,673	2,204,673
Comparatives	Tyre Recycling (Australia)	Corporate Costs (Australia)	Consolidated
<i>For the 6 months ending 31 December 2015:</i>	\$	\$	\$
Total segment revenue and other income	-	2,739	2,739
Segment gross profit	-	-	-
Depreciation & amortisation	-	-	-
Total segment assets	7,914,485	1,304,037	9,218,522
Total segment liabilities	-	2,900,065	2,900,065

Notes to the Condensed Consolidated Interim Financial Report

Accounting policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, and exploration and development expenditure. Segment liabilities consist principally of payables and provisions.

15. CONTROLLED ENTITIES

The consolidated financial statements include the assets, liabilities and results of the following subsidiaries.

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		31 December 2016	30 June 2016
<i>Subsidiaries of Citation Resources Ltd:</i>			
Citation Resources Operations Pty Ltd	Australia	100	100
Citation Resources Australia Pty Ltd	Australia	100	100
<i>Subsidiary of Citation Resources Australia Pty Ltd:</i>			
Latin American Resources	Bahamas	-	10

16. CONTINGENT ASSETS AND LIABILITIES

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

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to period end, at the Second Meeting of Creditors, the creditors of the Company unanimously resolved that the Company should enter into a DOCA and creditors' trust deeds substantially in the form proposed by certain shareholders of Pearl. The DOCA was executed on 27 February 2017.

Overview of DOCA

A summary of the key terms of the DOCA are as follows:

- the Ex-Gratia Payment is to be distributed to specific creditors, in accordance with the settlement reached with Mr Peter Landau, through a creditors' trust
- 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
- the implementation of a recapitalisation of the Company

Recapitalisation Proposal

The material terms of the Recapitalisation Proposal are set out in the DOCA, and comprise:

- (a) **Consolidation.** The consolidation of the existing issued capital of the Company on a 7 for 199 basis
- (b) **Discharge of secured creditors.** Any party with a valid security in respect of the Company registered on the PPSR discharging that security interest.
- (c) **Bonus Issue.** A bonus issue to Shareholders of New Options, on the basis of one New Option for every three Shares held (on a post-Consolidation basis). The record date for the Bonus Issue is dependent on the date of closing of the Capital Raising and satisfaction of the conditions to the Capital Raising, but will be prior to the issue of the Consideration Shares, the Shares under the Capital Raising and the other issues of Shares contemplated by the Resolutions. The record date for the Bonus Issue will be announced in due course.
- (d) **Pearl Acquisition.** The acquisition of the entire issued share capital of Pearl in consideration for the issue to the Pearl Vendors of 80,000,000 new Shares (on a post-Consolidation basis).

Notes to the Condensed Consolidated Interim Financial Report

17. EVENTS AFTER THE END OF THE REPORTING PERIOD (continued)

- (e) **New Licence Agreement.** The entry into of the New Licence Agreement in respect of the intellectual property which underpins Pearl's business.
- (f) **Capital Raising.** The issue by the Company of up to 25,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.20 per Share under the Prospectus to raise up to \$5,000,000. The Capital Raising is to incorporate a priority offer to persons who made an application to purchase Shares under the Company's prospectus dated 23 October 2015, but who did not receive shares or a refund, up to the amounts returned to them pursuant to the DOCA and (as the case may be) the Landau Creditors' Trust or the Trust Creditors' Trust.
- (g) **Conversion of Pearl Convertible Notes.** The issue by the Company of 18,718,750 Shares and 6,239,567 New Options (each on a post-Consolidation basis) to the Pearl Noteholders, on conversion of the Pearl Convertible Notes of \$2,995,000.
- (h) **Issue of Shares to a Director in satisfaction of accrued fees.** The issue by the Company of 500,000 Shares (on a post-Consolidation basis) to Mr Victor Turco, a Director of the Company (or his nominee(s)) at a deemed issue price of \$0.20 per Share in satisfaction of accrued directors fees.
- (i) **Issue of New Options to advisers, brokers and promoters.** The issue by the Company of up to 36,000,000 New Options (on a post-Consolidation basis) to certain advisers, brokers and promoters in connection with the Recapitalisation Proposal at an issue price of \$0.0001 per New Option.
- (j) **Reinstatement to quotation.** Following lodgement of the Prospectus, the Company will make an application to the ASX for its Shares, the existing listed Options and the New Options to be reinstated to quotation on the ASX.

Effectuation of the DOCA is subject to various conditions, including:

- shareholders of Pearl approving the DOCA, to be received within 14 days of execution of the DOCA
- the shareholders in Pearl agreeing to a share purchase agreement for the sale of their Pearl shares to the Company as referred to above
- the owner of the intellectual property underpinning Pearl's business agreeing to the new licence agreement and option referred to above
- shareholders of the Company passing various resolutions required in connection with the recapitalisation of the Company. A notice of meeting in this regard will be despatched in due course.

A copy of the DOCA and the forms of the creditors' trust deeds can be found on the Company Announcement under ASX website, dated 27 February 2017. The above summary of the key terms of the DOCA and the creditors' trust deeds should be read in conjunction with these documents.

Director's Declaration

The Directors of the Company declare that:

1. The interim financial statements and notes, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standards AASB134 Interim financial reporting and the Corporations Regulations 2001;
 - b) give a true and fair view of the Company's and consolidated Group's financial position as at 31 December 2016 and their performance for the period ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Victor Turco
Director

3 May 2017

at Perth, Western Australia

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CITATION RESOURCES LIMITED

We have reviewed the accompanying half-year financial report of Citation Resources Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Citation Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Qualification

Citation Resources Limited (“CTR”) during the period disposed of their 10% equity interest in Latin American Resources Limited (“LAR”), a company incorporated in the Bahamas with operations in Guatemala. A disclaimer opinion was issued on the comparative balances as the directors had not provided access to all relevant records of LAR and have prepared the financial report of Citation Resources Limited using limited management information of the LAR operations. Accordingly, we are not in a position to and do not express an opinion on the comparatives for prior period or the opening balances as at 31 December 2015, which impacts the current year’s financial performance.

Qualified Conclusion

Except for the effect, if any, on the comparatives for the preceding corresponding period that may result from the qualification in the preceding paragraph, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Citation Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity’s financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of \$464,012 and, as of that date, the consolidated entity’s cash outflows totalled \$402,086. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity’s ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

MARet*i*

M A Petricevic
Partner - Audit & Assurance

Perth, 3 May 2017