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30 October 2015

ASX Announcement

## **Annual Report & Notice of Annual General Meeting**

Please find attached the Company's Annual Report and Notice of Annual General Meeting as despatched to shareholders of the Company together with the proxy form. In addition, please also find attached the Appendix 4G

For and on behalf of the Board



**CITATION RESOURCES LTD AND ITS SUBSIDIARIES**

**Financial Report 2015**

**ABN 90 118 710 508**

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## **Corporate Directory**

**Citation Resources Ltd ABN 90 118 710 508**

### **Directors**

Mr Brett Mitchell  
Non-Executive Director

Mr Peter Landau  
Non-Executive Director

Mr Anthony Eastman – *Appointed on 20 March 2015*  
Non-Executive Director

Mr Michael Curnow – *Resigned on 20 March 2015*  
Non-Executive Director

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

### **Company Secretary**

Mr Anthony Eastman – *Appointed co-Company Secretary 22 August 2014*

Mr Henry Roberts – *Appointed co-Company Secretary 22 August 2014 / resigned 30 June 2015*

Ms Sara Kelly – *Appointed on 7 February 2014 / Resigned 22 August 2014*

### **Registered and Business Office**

Ground Floor, 1 Havelock Street  
West Perth WA 6005

### **Bankers**

Bankwest  
108 St Georges Terrace, Perth, WA 6000

### **Share Registrar**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Tce  
Perth, WA, Australia

### **Auditors**

Grant Thornton Audit Pty Ltd  
Level 1, 10 Kings Park Road, West Perth WA 6005

### **Internet Address**

[www.citation.com.au](http://www.citation.com.au)

### **ASX Ticker Code**

CTR, CTRO

## Operations Report

### Highlights for 2015

- **Heads of Agreement signed to acquire 40% of tyre recycling/energy recovery business Pearl Global Pty Ltd (Pearl) – with the option to eventually move to 100%**
- **Pearl holds the worldwide licensing rights to its unique technology to convert used tyres via a proprietary heating process into clean fuels, scrap steel, carbon black and syngas**
- **Global market opportunity - converting major environmental liabilities (tyre dumps) into energy, industrial and petroleum products**
- **Acquisition completed for ~20% working interests in two onshore Texas oil and gas assets, the North Chapman Ranch (18.2%) and East Texas Cotton Valley (21.75%) projects**
- **The Russell-Bevly #2 (RB #2) well at the North Chapman Ranch Project was successfully drilled to its total depth of 13,672ft**
- **Two material gas and condensate shows recorded and logged in the main reservoir target zone - Howell Hight (“HH”) sandstone reservoir**

### Texas Acquisition

During the year, the Company entered into an agreement to acquire the North Chapman Ranch (“NCR”) and East Texas Cotton Valley (“ETCV”) project interests from Range Resources Limited in late December, through the acquisition of Range Australia Resources (US) Limited (“RARL”), which holds the interests in the two Texas Oil Projects.

The consideration for the acquisition of both assets includes A\$500,000 in cash, 200m ordinary fully paid shares in Citation (pre consolidation), forgiveness of a A\$189,000 working capital loan owed to Citation by Range and the assumption of Range’s remaining finance carried obligations on the Atzam and Tortugas Oil Projects in Guatemala. The finance carry obligation shared by Citation and Range to date is repaid as a priority from project cashflows pursuant to the existing funding agreement.

The Company completed the acquisition of RARL, assisted by two financing packages being:

1. A short term bridging facility with Maximilian Capital LLC for USD\$800,000, with Maximilian holding the shares in RARL effectively on trust for up to 12 months, until the bullet repayment of US\$1,200,000 is made upon which the security is released and the Company will receive 100% of the issued shares in RARL;
2. An unsecured convertible note facility of A\$235,000 to fund the balance of the AFE payment to the operator ahead of spudding the Russell Bevly #2 appraisal well.

During the year the Russell Bevly #2 well was successfully drilled to a total depth of 13,672ft, and encountered 2 significant gas shows in the priority Howell Hight reservoir section. The Operator subsequently issued a completion notice to all project partners and ran completion casing into the hole down to the final casing point at 13,607ft. The completion casing has been set and production testing on the prospective sections is expected to commence in October/November 2015.

The Russell Bevly #2 is an infill appraisal well located between the successful Smith #1 and Russell Bevly # 1 wells that previously achieved combined production rates of 9.3 MMcf & 800 bbl of oil per day following successful well stimulation<sup>1</sup>.

The North Chapman Ranch Project (Citation holds rights to 18.2% WI<sup>2</sup>) is located in Nueces County, Texas, comprising approximately 1,680 acres.

Following the commercial discovery of the Smith #1 well in December 2009, a multi well program was initiated that saw 4 appraisal / development wells drilled across the license area, with the latest well, the Albrecht #2 well, being drilled during the 2013/14 year, to determine the south-eastern extension of the Howell Hight (“HH”) sandstone reservoirs. Whilst the well encountered the HH at the predicted depth, it did not flow at a commercial rate after completion.

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<sup>1</sup> As reported in the Range Resources Limited 2011 Annual Report

<sup>2</sup> The working interest with respect to NCR has a back in right from outside parties of up to 2.25%.

## Operations Report

Following the Albrecht #2 well, the Operator (Western Gulf) completed a detailed technical review on the location of future wells, which has led to the recommendation that future development efforts should focus on the more proven area in the North that surrounds the successful Smith #1 and Russel Bevly #1 wells.

As a result the Operator proposed the Russell-Bevly #2 well ("RB #2"), to target 40 acres of proven reservoir and to optimise infill well spacing following volumetric analysis on the current wells. RB #2 is the first infill well on this 40 acre spacing between the successful Smith #1 and Russel Bevly #1 wells.

This well is the first well in which the Company will participate in the NCR project, and is the first well in the project's updated development focus, with a target spudding date of May 2015. If results mirror that of the Smith #1 and Russel Bevly #1 wells (which had combined production of 9.3 MMcf and 800 bbl of oil per day following successful well stimulation<sup>3</sup>), then it is likely that a multi-well development program would be justified.

The East Texas Cotton Valley Project (Citation holds rights to 21.75% WI) is located in Red River County, Texas, comprising approximately 1,570 gross acres and has one marginally successful horizontal well, the Ross 3H. This well encountered water influx however it still produced, with additional work being performed to determine the scope of water encroachment from the nearby field.

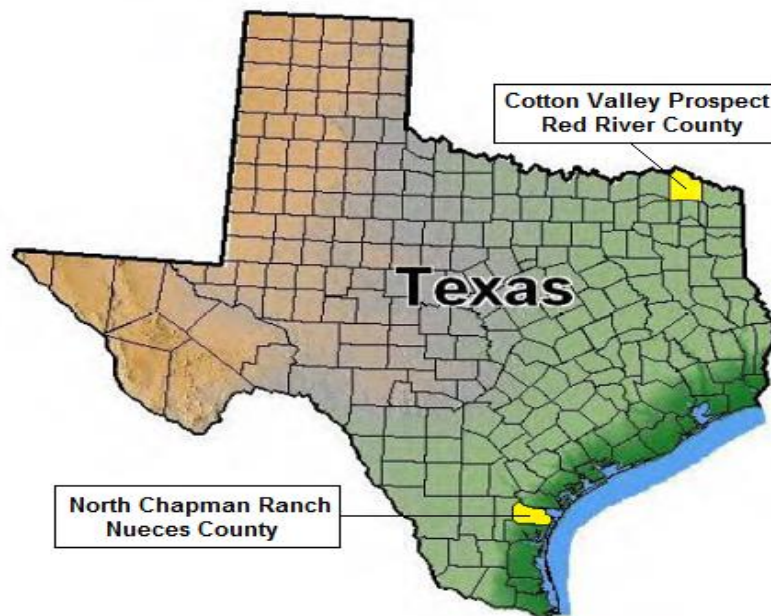


Figure 1: County Map of the State of Texas

### Atzam Oil Project- Guatemala

The Atzam 4 production continued during the year, however detailed well production data is currently unavailable. The Atzam 5 appraisal well testing program remains suspended, and will remain so until a new financing farm in partner is secured to fund the recommencement of testing. A majority of the prospective sections remain untested which include all the prospective zones from the C13 to C17 carbonates sections inclusive. The C17 carbonate is the producing section in the Atzam #4 well.

As previously reported, the Company has been holding detailed discussions with all the project partners to facilitate a farm out arrangement to ensure the Project is fully funded for all future funding obligations by a new farm in partner.

<sup>3</sup> As reported in the Range Resources Limited 2011 Annual Report

## **Operations Report**

### **Investment in Pearl Global**

During the year, Citation executed a Heads of Agreement with Pearl Global Pty Ltd (“Pearl”) pursuant to which the Company has the right to earn and acquire an initial 40% shareholding interest in Pearl (“HoA”). Subsequent to year end, the Company held a General Meeting of Shareholders where approval from the Shareholders was granted for the investment and related matters, and is advanced in the drafting of the formal Share Purchase Agreement and related capital raising following this recent shareholder approval for the transaction.

Pearl is a private unlisted Australian company which holds the exclusive worldwide licensing rights to a unique tyre recovery process (“TRR Project”) which converts waste rubber into clean fuels, scrap steel and carbon black in an environmentally safe and productive manner. The TRR Project proprietary technology is self powered using syngas generated from the energy conversion process and has a very low comparative capital and operating expenditure to other conversion technologies.

The TRR Project (also known as the ‘Erasmus Process’) is a process by which end of life vehicle tyres are converted into commercial by products with near zero emissions by virtue of a unique heating system which manages certain key elements within the thermal desorption process – the keys to the Pearl Process.

At present in Australia and a number of major countries worldwide, approximately 15% of used tyres are recycled, 20% are exported and 65% are disposed of in landfill. Used tyres are now banned from landfill in selected states in Australia (and certain other countries) and are classed as hazardous waste, meaning their handling and disposal is heavily restricted. Disposal costs are significant which has encouraged significant illegal dumping, and as such, regulators have established clean up targets for used tyres.

The TRR Project successfully removes the main obstacles that block sustainable waste conversion of rubber by keeping emissions well under the world’s strictest environmental standards (EU 6), 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.

The business model of the TRR Project is to reuse discarded resources and sell derivatives to customers, thereby opening multiple revenue channels by the sale of by products including fuels, electricity (through the utilisation of gases produced), carbon black and steel. As such, the TRR Project converts waste streams into commercially viable resources and reduces the environmental impact of used rubber by eradicating emissions and reducing landfill volumes. Manufacturing input costs for the TRR Project are negligible given discarded waste is the raw material used in the process. In addition, in various jurisdictions there may be the ability for the operations to attract further revenue through carbon credits.

The TRR Project involves shredding used tyres to ensure higher yields of derivatives. The TRR Project’s modular design and comparatively low capital expenditure (US\$1.5m per plant) provides for rapid site mobilisation. The rubber to be recycled enters a unique endothermic thermal desorption unit where the tyres are broken down into their constituent parts and collected for resale to relevant offtakers. The key products generated through the process are high calorific fuels, carbon black and scrap steel. The plants are effectively a renewable energy conversion process which are self generating through the power utilisation of gases produced. The units only use a small amount of the syngas produced, with the excess syngas available to be sold for power generation requirements which is a significant material commercial benefit in places like Africa.

Pearl is in advanced discussions with several key jurisdictions overseas as well as industries for the supply of used tyres and also for the sale of offtake products from the TRR Project.

### **Board and Management Changes**

In August 2014, Ms Sara Kelly resigned as Company Secretary with Mr Anthony Eastman and Mr Henry Roberts both being appointed Joint Company Secretary with Mr Roberts resigning on 30 June 2015. In March 2015, Mr Michael Curnow resigned as Non-Executive Director with Mr Anthony Eastman being appointed to the Board of Directors as a Non-Executive Director.

## **Directors' Report**

The Directors present their report of Citation Resources Ltd for the year ended 30 June 2015.

The consolidated entities referred to hereafter as the Company consist of Citation Resources Ltd and the entities controlled during and at the end of the period.

### **Principal Activities**

The principal activity of the Company is the exploration and development of oil and gas blocks in Guatemala and Texas in conjunction with evaluating other complementary oil and gas opportunities.

### **Company Information**

Citation Resources Ltd is a Company limited by shares, which is incorporated and domiciled in Australia.

### **Significant Changes in the State of Affairs**

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

The Board will continue to review potential areas of activity that may create additional value to the Company. The Board will keep shareholders informed of any significant developments.

### **Financial Result**

The consolidated loss of the Group for the year ended, 30 June 2015, amounted to \$20,162,255 (2014: loss \$8,028,406).

### **Dividends**

No dividends have been paid or declared and no dividends have been recommended by the Directors.

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

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under S237 of the *Corporations Act 2001*.

### **Environmental Regulation and Performance**

Exploration and development activities in Australia are subject to State and Federal laws, principally the *Environmental Protection Act* and associated regulations in each State of operation. The Company has a policy of complying with its environmental performance obligations, and during the reporting period, there have been no significant known breach of statutory conditions or obligations.

### **Future Developments, Prospects and Business Strategies**

To further improve the economic entity's profit and maximise shareholders wealth, the Company is committed to further evaluating its current oil and gas properties, especially in light of the upcoming completion testing on the Texas properties. In addition, the Company is looking at the imminent completion of the acquisition of the initial 40% interest in Pearl Global Pty Ltd and eventually moving to the possible 100% acquisition.

### **Likely Developments**

Other than information disclosed elsewhere in this annual report, information on likely developments in the operations of the economic entity and the expected results of those operations in future financial years has not been included in this directors' report because the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the economic entity.



## Directors' Report

### Directors

The following persons were Directors of Citation Resources Ltd during the financial year:

|                 |  |
|-----------------|--|
| Brett Mitchell  | Appointed 24 November 2011 as Non-Executive Director; appointed as Executive Director 17 February 2012; Non-Executive Director from 1 January 2015 |
| Peter Landau    | Appointed 7 February 2014  |
| Anthony Eastman | Appointed 20 March 2015  |
| Michael Curnow  | Appointed 4 April 2012 / Resigned 20 March 2015  |

### Information on Current Directors

#### Mr Brett Mitchell – Non-Executive Director

Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries. He has been involved in the founding, financing and management of both private and publicly-listed resource companies and holds executive and non-executive directorship roles. Mr Mitchell is a partner in Verona Capital, a private minerals focused venture capital and project generation business.

Mr Mitchell holds a Bachelor of Economics from the University of Western Australia. During the three year period to the end of the financial year, Mr Mitchell has been a Director of other listed companies as follows:

- Transerv Energy Ltd – resigned 19 August 2013;
- Wildhorse Energy Ltd – resigned 29 August 2014;
- Tamaska Oil and Gas Ltd – resigned 1 February 2015;
- Digital CC Limited; and
- Erin Resources Ltd.

He is also a member of the Australian Institute of Company Directors (AICD).

#### Mr Peter Landau – Non-Executive Director

Mr Landau is the founding director of Okap Ventures Pty Ltd and ICBC Capital Pty Ltd., internationally focused project management, corporate advisory and venture capital firms based in Western Australia and London. Mr Landau is a corporate lawyer and corporate advisor and has over 15 years' experience in providing general corporate, capital raising, transaction and strategic advice to numerous ASX listed and unlisted companies. Mr Landau has project managed a significant number of oil and gas and mining exploration and development transactions around the world including capital raising, M & A, joint ventures and finance structures.

During the three year period to the end of the financial year, Mr Landau has been a Director of:

- Continental Coal Ltd;
- Black Mountain Resources Ltd;
- AusAmerican Mining Ltd;
- Nkwe Platinum Ltd – resigned 1 October 2014;
- Range Resources Ltd – resigned 13 June 2014;
- Paynes Find Gold Ltd – resigned 4 October 2013; and
- Eclipse Metals Ltd – resigned 7 October 2013

#### Mr Anthony Eastman – Non-executive Director

Mr Eastman is a Chartered Accountant with a number of years' experience in financial management and corporate advisory services. He has previously worked with Ernst & Young and CalEnergy Gas Ltd, a subsidiary of the Berkshire Hathaway Group of Companies in both Australia and the United Kingdom.

During the three year period to the end of the financial year, Mr Eastman has been a Director of:

- Range Resources Ltd – resigned 13 June 2014;

## **Directors' Report**

### **Mr Michael Curnow – Non-Executive Director – resigned 20 March 2015**

Mr Curnow brings extensive experience in the resources sector in gold, platinum and mineral sands exploration to the Company. He has been involved in the ownership and management of a wide range of businesses in South Africa and Australia. He was a founding director of Gallery Gold Ltd and AGR Ltd. Mr Curnow is also founding Director of Adamus Ltd (Mongolia), Gallery Gold Ltd (Botswana), and Adamus Ltd (Ghana), with all three currently in production.

During the three year period to the end of the financial year, Mr Curnow has been a Director of other listed companies as follows:

- African Energy Resources Ltd – resigned 31 March 2014;
- Energy Ventures Ltd; and
- Namibian Copper Ltd

### **Company Secretary Information**

#### **Mr Anthony Eastman – appointed co-Company Secretary 22 August 2014**

Mr Eastman is a Chartered Accountant with a number of years' experience in financial management and corporate advisory services. He has previously worked with Ernst & Young and CalEnergy Gas Ltd, a subsidiary of the Berkshire Hathaway Group of Companies in both Australia and the United Kingdom. Mr Eastman was previously an Executive Director and Company Secretary with ASX and AIM listed company Range Resources Limited.

#### **Mr Henry Roberts – appointed co-Company Secretary 22 August 2014 / resigned 30 June 2015**

Mr Roberts is an Accountant having graduated from the University of Western Australia with a Bachelor of Commerce and is the CFO for a number of public and private companies. Mr Roberts is currently completing his Australian Institute of Chartered Accountancy qualifications.

#### **Ms Sara Kelly – Appointed on 7 February 2014 / resigned 22 August 2014**

Ms Kelly is an experienced Company Secretary and Corporate Lawyer with over 8 years' experience. Sara has comprehensive knowledge of and experience in administering regulatory frameworks and processes in a listed company environment and practised as a corporate lawyer specialising in acquisitions, takeovers, capital raisings and listing of companies on ASX and AIM. Ms Kelly has acted as the company secretary of a number of ASX listed companies.

## Directors' Report

### Indemnification of Directors and Officers

Throughout the reporting period the Company has maintained Directors' and Officer's insurance for the purpose of covering losses which Directors and Officers may become legally obligated to pay. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under insurance contract.

In accordance with the Constitution, except as may be prohibited by the *Corporations Act 2001* every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

### Meetings of Directors

During the period, 5 meetings of Directors were held. Attendances were as follows:

| Director        | Number of meetings held while a director | Number of meetings attended while a director |
|-----------------|--|--|
| Brett Mitchell  | 5  | 5  |
| Michael Curnow  | 3  | 3  |
| Peter Landau    | 5  | 5  |
| Anthony Eastman | 2  | 2  |

Given the size and nature of the Company's activities, the Board does not believe there are any marked efficiencies or enhancements that would be achieved by the creation of separate Nomination, Remuneration and Audit Committees. Composition of the board, the board as a whole addressed matters.

### Directors' Interests

#### Unissued Shares Under Option

Unissued ordinary shares of the Company under option at the date of this report are:

| Date options granted | Expiry date      | Exercise price of shares (\$) | Number under option |
|----------------------|------------------|-------------------------------|---------------------|
| 6 September 2012     | 15 December 2015 | \$4.00                        | 170,000             |
| Total                |                  |                               | 170,000             |

These options were issued following approval from the shareholders received by the Company on 6 September 2012 to Mr Brett Mitchell and Mr Michael Curnow. These options do not entitle the holder to participate in any share issue of the Company.

#### Shares issued during or since the end of the year as a result of exercise

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

| Date options granted | Issue price of shares (\$) | Number of shares issued |
|----------------------|----------------------------|-------------------------|
| N/A                  | N/A                        | Nil                     |

## Directors' Report

### Remuneration Report (Audited)

The goals of the Company's remuneration policy are to:

- Ensure that reward for performance is competitive and that employees are committed and motivated;
- Align executive compensation with achievement of strategic objectives and the creation of value for shareholders; and
- Comply with relevant legislation and general market remuneration practices.

#### Executive Directors

Executive Directors are entitled to receive a Base Fee. Remuneration for Executive Directors is benchmarked against a comparable pool of companies and is determined by the Board. As the Company is still in the exploration and development stage and is not making profits, there is no relationship between executive director remuneration and Company performance.

#### Non-Executive Directors

Non-Executive Directors are entitled to receive a Base Fee. Remuneration for Non-Executive Directors is benchmarked against a comparable pool of companies and reviewed on an annual basis. Remuneration is determined by the Board and takes into consideration the need to obtain suitably qualified independent Directors.

Remuneration of Non-Executive Directors is approved by the Board and set in aggregate with the maximum amount approved by the shareholders.

The Key Management Personnel of the Company include the Executive and Non-Executive Directors, and the Company Secretary. The Company does not consider other executives to be Key Management Personnel.

The Key Management Personnel of the Company during the financial year are:

- Brett Mitchell, Non-Executive Director – appointed 24 November 2011
- Peter Landau, Non-Executive Director – appointed 7 February 2014
- Michael Curnow, Non-Executive Director – appointed 4 April 2012 / resigned 20 March 2015
- Anthony Eastman, Non-Executive Director – appointed 20 March 2015

#### Voting and comments made at the Company's last Annual General Meeting

The Company received 94.9% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2014. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

#### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four (4) financial years:

| Item                     | 2015       | 2014      | 2013    | 2012      | 2011      |
|--------------------------|------------|-----------|---------|-----------|-----------|
| EPS (cents)              | (0.91)     | (0.61)    | (0.15)  | (0.70)    | (3.97)    |
| Dividends (cents)        | N/A        | N/A       | N/A     | N/A       | N/A       |
| Net profit / loss (\$)   | 20,162,255 | 8,028,406 | 517,003 | 1,595,661 | 6,646,318 |
| Share price (at 30 June) | \$0.09 *   | \$0.009   | \$0.017 | \$0.015   | \$0.044   |

\* Noting a 100:1 share consolidation occurring in May 2015

## Directors' Report

### Details of Remuneration

| 2015                         | Short Term<br>Employee Benefits<br>(Cash Salary and<br>Fees) | Post-Employment<br>Benefits<br>(Superannuation) | Termination<br>Benefits<br>(Superannuation<br>Benefits) | Share Based<br>Payment<br>Options<br>Benefits | Total          |
|------------------------------|--|---|---|---|----------------|
| <b>Directors</b>             |  |   |   |   |                |
| Brett Mitchell <sup>1</sup>  | 108,000  | -   | -   | -   | 108,000        |
| Peter Landau                 | 36,000   | -   | -   | -   | 36,000         |
| Anthony Eastman <sup>2</sup> | 9,000  | -   | -   | -   | 9,000          |
| Michael Curnow <sup>3</sup>  | 27,000   | -   | -   | -   | 27,000         |
| <b>Total</b>                 | <b>180,000</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>                                      | <b>180,000</b> |

<sup>1</sup> Effective 1 January 2015, Mr Mitchell reverted to a Non-Executive salary of \$36,000 per annum

<sup>2</sup> Appointed 20 March 2015

<sup>3</sup> Resigned 20 March 2015

| 2014                      | Short Term<br>Employee Benefits<br>(Cash Salary and<br>Fees) | Post-Employment<br>Benefits<br>(Superannuation) | Termination<br>Benefits<br>(Superannuation<br>Benefits) | Share Based<br>Payment<br>Options<br>Benefits | Total          |
|---------------------------|--|---|---|---|----------------|
| <b>Directors</b>          |  |   |   |   |                |
| Brett Mitchell            | 189,000  | -   | -   | -   | 189,000        |
| Michael Curnow            | 36,000   | -   | -   | -   | 36,000         |
| Sophie Raven <sup>1</sup> | 55,688   | -   | -   | -   | 55,688         |
| Peter Landau <sup>2</sup> | 14,250   | -   | -   | -   | 14,250         |
| <b>Total</b>              | <b>294,938</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>                                      | <b>294,938</b> |

<sup>1</sup> Resigned 7 February 2014

<sup>2</sup> Appointed 7 February 2014

No portion of remuneration was performance based in the reporting period.

### Equity Instrument Disclosures Relating to Key Management Personnel

Aggregate numbers of shares of the Group held directly, indirectly or beneficially by Directors of the Group during the financial year are set out below:

#### Ordinary Shares

| Director                       | Held at 1 July<br>2014 | Issued   | Other<br>changes | Sold     | Consolidation<br><sup>4</sup> | Held at the date<br>of this report |
|--------------------------------|------------------------|----------|------------------|----------|-------------------------------|------------------------------------|
| Brett Mitchell                 | -                      | -        | -                | -        | -                             | -                                  |
| Michael Curnow <sup>1</sup>    | 500,000                | -        | -                | -        | (495,000)                     | 5,000                              |
| Peter Landau                   | 9,250,000              | -        | -                | -        | (9,157,500)                   | 92,500                             |
| Anthony Eastman <sup>2 3</sup> | -                      | -        | 3,900,000        | -        | (3,861,000)                   | 39,000                             |
| <b>Total</b>                   | <b>9,750,000</b>       | <b>-</b> | <b>3,900,000</b> | <b>-</b> | <b>(13,513,500)</b>           | <b>136,500</b>                     |

<sup>1</sup> Resigned 20 March 2015

<sup>2</sup> Appointed 20 March 2015

<sup>3</sup> Mr Eastman held these shares before his appointment to the board

<sup>4</sup> As approved by shareholders on 1 May 2015, the Company completed a 1:100 share consolidation, effective on 21 May 2015

## Directors' Report

### Listed Options

| Director                     | Held at 1 July 2014 | Issued   | Other changes | Sold     | Consolidation <sup>3</sup> | Held at the date of this report |
|------------------------------|---------------------|----------|---------------|----------|----------------------------|---------------------------------|
| Brett Mitchell               | 15,000,000          | -        | -             | -        | (14,850,000)               | 150,000                         |
| Michael Curnow <sup>1</sup>  | 2,000,000           | -        | -             | -        | (1,980,000)                | 20,000                          |
| Peter Landau                 | -                   | -        | -             | -        | -                          | -                               |
| Anthony Eastman <sup>2</sup> | -                   | -        | -             | -        | -                          | -                               |
| <b>Total</b>                 | <b>17,000,000</b>   | <b>-</b> | <b>-</b>      | <b>-</b> | <b>(16,830,000)</b>        | <b>170,000</b>                  |

<sup>1</sup> Resigned 20 March 2015

<sup>2</sup> Appointed 20 March 2015

<sup>3</sup> As approved by shareholders on 1 May 2015, the Company completed a 1:100 share consolidation, effective on 21 May 2015

During the current year no options were granted or vested that affected key management personnel remuneration.

These options expire on 15 December 2015 and have an exercise price of \$4.00 following the 1:100 share consolidation, effective 21 May 2015. There are no other vesting conditions in relation to these options.

### Transactions with other Related Parties

Directors and officers or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial and operating policies of those entities.

Details of those transactions at the end of the year are as follows:

| Entity                    | Note  | Nature of transactions  | Transactions           |                        | Balances               |                        |
|---------------------------|-------|---|------------------------|------------------------|------------------------|------------------------|
|                           |       |   | Full year<br>30-Jun-15 | Full year<br>30-Jun-14 | Full year<br>30-Jun-15 | Full year<br>30-Jun-14 |
|                           |       |   | \$                     | \$                     | \$                     | \$                     |
| Erin Resources Limited    | (i)   | Reimbursement to/from CTR for corporate administration costs          | -                      | -                      | 966                    | -                      |
| Tamaska Oil & Gas Limited | (ii)  | Reimbursement to/from CTR for corporate administration costs          | -                      | 1,280                  | -                      | -                      |
| Sibella Capital Pty Ltd   | (iii) | Reimbursement to/from CTR for corporate administration costs          | -                      | 1,896                  | -                      | -                      |
| Okap Ventures Pty Ltd     | (iv)  | Reimbursement to/from CTR for corporate administration costs          | 37,225                 | -                      | 31,714                 | -                      |
| Okap Ventures Pty Ltd     | (iv)  | Provision of corporate / administration and company secretarial costs | 122,000                | 140,000                | 142,000                | -                      |

- (i) Erin Resources Limited (ERI) is a company associated with Mr Brett Mitchell, who is currently a director of ERI.
- (ii) Tamaska Oil and Gas Limited (TMK) is a company associated with Mr Brett Mitchell, who was previously a director of TMK.
- (iii) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.
- (iv) Okap Ventures is a company associated with Mr Peter Landau with Okap providing corporate advisory, company secretarial, CFO, financial management and associated services.

### Details of Employment Agreements

The Directors are retained by the Company and are paid a fixed fee for their services. No termination benefits exist.

Non-Executive and Executive Director tenure is subject to rotation and shareholder re-appointment.

The Company Secretary is a consultant engaged by the Company. No termination benefits exist, other than the contractually-agreed notice period specified in the relevant consultancy agreement.

### This is the end of the Audited Remuneration Report

## Directors' Report

### Matters Subsequent to the End of the Financial Year

Between the end of the financial period and the date of this report the following material events have occurred:

- The Company held a General Meeting on 25 September 2015, at which all resolutions put to the shareholders were approved, including the approval of the acquisition of 40% of Pearl Global Pty Ltd.

### Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the Board supports and adhere to the principals of corporate governance, and has adopted a set of policies for the purpose of managing this governance.

### Non-Audit Services

The Board has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

During the financial period there were no fees paid or payable for non-audit services provided by the auditor.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, for the financial year ended 30 June 2015 has been received and be found on page 13.

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



**Brett Mitchell**

**Non-Executive Director**

30 September 2015, at Perth, Western Australia

Level 1  
10 Kings Park Road  
West Perth WA 6005

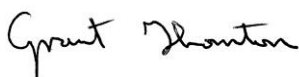
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**Auditor's Independence Declaration  
To the Directors of Citation Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Citation Resources Limited for the year ended 30 June 2015, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner - Audit & Assurance

Perth, 30 September 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

|   | Note | CONSOLIDATED<br>2015<br>\$ | CONSOLIDATED<br>2014<br>\$ |
|---|------|----------------------------|----------------------------|
| Revenue   | 4    | 3,207,354                  | 3,385,397                  |
| Interest and other income   | 4    | 15,990                     | 589,455                    |
| Cost of materials   | 5    | (3,510,451)                | (3,013,690)                |
| Depreciation, depletion and amortisation                                    | 5    | (700,781)                  | (724,919)                  |
| Accounting and audit  |      | (45,481)                   | (62,384)                   |
| Professional and consultancy fees   |      | (522,224)                  | (982,539)                  |
| Share based payment expense   |      | -                          | (1,270,387)                |
| Directors fees  |      | (180,000)                  | (261,188)                  |
| Depreciation expense  | 5    | (1,165)                    | (843)                      |
| Employee benefit expenses   | 5    | (554,591)                  | (512,235)                  |
| Regulatory expenses   |      | (76,042)                   | (97,637)                   |
| Exploration expenditure   |      | (38,873)                   | (1,482,686)                |
| Impairment – development assets   | 12   | (6,657,599)                | -                          |
| Impairment – exploration assets   | 13   | (8,067,456)                | (627,181)                  |
| Impairment – inventory  |      | (937,470)                  | -                          |
| Amortisation & fair value movement or embedded derivative                   |      | (854,524)                  | -                          |
| Loss on conversion of loan  |      | (310,244)                  | (100,364)                  |
| Interest expense and borrowing costs  | 5    | (283,936)                  | (1,904,972)                |
| Administrative expenses   | 5    | (646,227)                  | (941,708)                  |
| Net foreign exchange loss   |      | 1,465                      | (20,525)                   |
| <b>Loss before tax</b>  |      | <b>(20,162,255)</b>        | <b>(8,028,406)</b>         |
| Income tax expense  | 6    | -                          | -                          |
| <b>Loss for the year</b>  |      | <b>(20,162,255)</b>        | <b>(8,028,406)</b>         |
| <b>Other comprehensive income for the year</b>                              |      |                            |                            |
| Foreign currency translation  |      | 3,275,704                  | 803,854                    |
| <b>Other comprehensive income for the year, net of tax</b>                  |      | <b>3,275,704</b>           | <b>803,854</b>             |
| <b>Total comprehensive loss for the period</b>                              |      | <b>(16,886,551)</b>        | <b>(7,224,552)</b>         |
| <b>Net loss is attributable to:</b>   |      |                            |                            |
| Owners of Citation Resources Ltd  |      | (14,888,293)               | (6,601,602)                |
| Non-controlling interests   |      | (5,273,962)                | (1,426,804)                |
|   |      | <b>(20,162,255)</b>        | <b>(8,028,406)</b>         |
| <b>Total comprehensive loss is attributable to:</b>                         |      |                            |                            |
| Owners of Citation Resources Ltd  |      | (12,922,871)               | (6,120,140)                |
| Non-controlling interests   |      | (3,963,680)                | (1,104,412)                |
|   |      | <b>(16,886,551)</b>        | <b>(7,224,552)</b>         |
| <b>Loss per share attributable to the owners of Citation Resources Ltd:</b> |      |                            |                            |
| Basic earnings & diluted loss per share (cents per share)                   | 7    | (0.91)                     | (0.61)                     |

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

## Consolidated Statement of Financial Position

As at 30 June 2015

|   | Note | CONSOLIDATED<br>2015<br>\$ | CONSOLIDATED<br>2014<br>\$ |
|---|------|----------------------------|----------------------------|
| <b>ASSETS</b>   |      |                            |                            |
| <b>Current Assets</b>                                     |      |                            |                            |
| Cash and cash equivalents                                 | 8    | 449,107                    | 2,106,272                  |
| Trade and other receivables                               | 9    | 904,935                    | 555,492                    |
| Other current assets                                      |      | 30,035                     | 61,342                     |
| Inventories   |      | 1,286,899                  | 1,541,958                  |
| Total current assets                                      |      | 2,670,976                  | 4,265,064                  |
| <b>Non-Current Assets</b>                                 |      |                            |                            |
| Property, plant and equipment                             | 10   | -                          | 1,165                      |
| Other non-current assets                                  | 11   | 2,839,609                  | 1,145,797                  |
| Development assets  | 12   | 2,438,961                  | 7,304,038                  |
| Exploration and evaluation expenditure                    | 13   | 10,375,713                 | 17,632,106                 |
| Total non-current assets                                  |      | 15,654,283                 | 26,083,106                 |
| Total assets  |      | 18,325,259                 | 30,348,170                 |
| <b>LIABILITIES</b>  |      |                            |                            |
| <b>Current Liabilities</b>                                |      |                            |                            |
| Trade and other payables                                  | 14   | 2,727,488                  | 2,963,840                  |
| Provisions  |      | 66,909                     | 106,642                    |
| Borrowings  | 15   | 2,544,750                  | 979,432                    |
| Derivative financial liability                            | 16   | 336,204                    | 960,000                    |
| Total current liabilities                                 |      | 5,675,351                  | 5,010,914                  |
| <b>Net assets</b>   |      | <b>12,649,908</b>          | <b>25,338,256</b>          |
| <b>EQUITY</b>   |      |                            |                            |
| Contributed equity  | 17a  | 36,668,838                 | 32,651,060                 |
| Options reserve   | 17b  | 769,829                    | 589,404                    |
| Share based payment reserve                               | 17c  | 1,517,387                  | 1,517,387                  |
| Foreign exchange reserve                                  |      | 2,446,884                  | 481,462                    |
| Accumulated losses  | 18   | (33,000,557)               | (18,112,264)               |
| Capital and reserves attributable to owners of the Parent |      | 8,402,381                  | 17,127,049                 |
| Amounts attributable to non-controlling interests         | 28   | 4,247,527                  | 8,211,207                  |
| <b>Total equity</b>                                       |      | <b>12,649,908</b>          | <b>25,338,256</b>          |

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

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

| CONSOLIDATED EQUITY<br>30 JUNE 2015                          | Issued<br>capital | Option<br>reserve | Share<br>based<br>payment<br>reserve | Foreign<br>currency<br>translation<br>reserve | Accumulated<br>losses | Total            | Non-<br>controlling<br>interest | Total equity      |
|--|-------------------|-------------------|--------------------------------------|---|-----------------------|------------------|---------------------------------|-------------------|
|  | \$                | \$                | \$                                   | \$  | \$                    | \$               | \$                              | \$                |
| <b>At 1 July 2014</b>  | 32,651,060        | 589,404           | 1,517,387                            | 481,462                                       | (18,112,264)          | 17,127,049       | 8,211,207                       | 25,338,256        |
| Loss for the year  | -                 | -                 | -                                    | -   | (14,888,293)          | (14,888,293)     | (5,273,962)                     | (20,162,255)      |
| Exchange differences on<br>translation of foreign operations | -                 | -                 | -                                    | 1,965,422                                     | -                     | 1,965,422        | 1,310,282                       | 3,275,704         |
| <b>Total comprehensive loss for the<br/>year</b>             | -                 | -                 | -                                    | 1,965,422                                     | (14,888,293)          | (12,922,871)     | (3,963,680)                     | (16,888,551)      |
| Shares issued during the period                              | 4,085,000         | -                 | -                                    | -   | -                     | 4,085,000        | -                               | 4,085,000         |
| Share issue costs  | (67,222)          | -                 | -                                    | -   | -                     | (67,222)         | -                               | (67,222)          |
| Share based payment expense                                  | -                 | 81,116            | -                                    | -   | -                     | 81,116           | -                               | 81,116            |
| Adjustment on embedded<br>derivative                         | -                 | 99,309            | -                                    | -   | -                     | 99,309           | -                               | 99,309            |
| <b>At 30 June 2015</b>                                       | <b>36,668,838</b> | <b>769,829</b>    | <b>1,517,387</b>                     | <b>2,446,884</b>                              | <b>(33,000,557)</b>   | <b>8,402,381</b> | <b>4,247,527</b>                | <b>12,647,908</b> |

| CONSOLIDATED EQUITY<br>30 JUNE 2014                          | Issued<br>capital | Option<br>reserve | Share<br>based<br>payment<br>reserve | Foreign<br>currency<br>translation<br>reserve | Accumulated<br>losses | Total             | Non-<br>controlling<br>interest | Total equity      |
|--|-------------------|-------------------|--------------------------------------|---|-----------------------|-------------------|---------------------------------|-------------------|
|  | \$                | \$                | \$                                   | \$  | \$                    | \$                | \$                              | \$                |
| <b>At 1 July 2013</b>  | 17,819,929        | 983,220           | 247,000                              | -   | (11,910,882)          | 7,139,267         | -                               | 7,139,267         |
| Loss for the year  | -                 | -                 | -                                    | -   | (6,601,602)           | (6,601,602)       | (1,426,804)                     | (8,028,406)       |
| Exchange differences on<br>translation of foreign operations | -                 | -                 | -                                    | 481,462                                       | -                     | 481,462           | 322,392                         | 803,854           |
| <b>Total comprehensive loss for the<br/>year</b>             | -                 | -                 | -                                    | 481,462                                       | (6,601,602)           | (6,120,140)       | (1,104,412)                     | (7,224,552)       |
| Shares issued during the period                              | 15,244,626        | -                 | -                                    | -   | -                     | 15,244,626        | -                               | 15,244,626        |
| Share issue costs  | (413,495)         | -                 | -                                    | -   | -                     | (413,495)         | -                               | (413,495)         |
| Share based payment expense                                  | -                 | 52,754            | 1,270,387                            | -   | -                     | 1,323,141         | -                               | 1,323,141         |
| Transfers  | -                 | (400,220)         | -                                    | -   | 400,220               | -                 | -                               | -                 |
| Fair value movement on options                               | -                 | (46,350)          | -                                    | -   | -                     | (46,350)          | -                               | (46,350)          |
| Non-controlling interests on<br>acquisition (note 19)        | -                 | -                 | -                                    | -   | -                     | -                 | 9,315,619                       | 9,315,619         |
| <b>At 30 June 2014</b>                                       | <b>32,651,060</b> | <b>589,404</b>    | <b>1,517,387</b>                     | <b>481,462</b>                                | <b>(18,112,264)</b>   | <b>17,127,049</b> | <b>8,211,207</b>                | <b>25,338,256</b> |

The above statement in changes in equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

For the year ended 30 June 2015

|   | Note | CONSOLIDATED<br>2015<br>\$ | CONSOLIDATED<br>2014<br>\$ |
|---|------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                             |      |                            |                            |
| Receipts from customers   |      | 3,214,626                  | 2,953,237                  |
| Payments to suppliers and employees                                     |      | (4,733,639)                | (1,978,206)                |
| Interest received   |      | 15,990                     | 183,919                    |
| Interest expenses   |      | (756)                      | (107,960)                  |
| <b>Net cash outflow from operating activities</b>                       | 20   | (1,503,779)                | 1,050,990                  |
| <b>Cash flows from investing activities</b>                             |      |                            |                            |
| Net cash on acquisition of subsidiary                                   |      | -                          | (661,814)                  |
| Payments for exploration, evaluation and development expenditure        |      | (2,125,164)                | (5,990,537)                |
| Non-controlling interest's share of cashcalls funded by Citation        |      | -                          | (940,598)                  |
| <b>Net cash outflow from investing activities</b>                       |      | (2,125,164)                | (7,592,949)                |
| <b>Cash flows from financing activities</b>                             |      |                            |                            |
| Proceeds from issue of shares/share options                             |      | 500,000                    | 5,750,000                  |
| Share / share options issue costs                                       |      | (67,222)                   | (413,496)                  |
| Repayment of borrowings   |      | -                          | (300,000)                  |
| Proceeds from borrowings  |      | 1,539,000                  | 3,100,000                  |
| <b>Net cash outflow from financing activities</b>                       |      | 1,971,778                  | 8,136,504                  |
| <b>Net (decrease) / increase in cash and cash equivalents</b>           |      | (1,657,165)                | 1,594,545                  |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |      | 2,106,272                  | 511,727                    |
| <b>Cash and cash equivalents at the end of the financial year</b>       | 8    | 449,107                    | 2,106,272                  |

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

## Notes to the Financial Statements

## Notes to the Financial Statements

### 1. Corporate Information

The financial statements of Citation Resources Ltd for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of Directors on 30 September 2015 and covers the consolidated entity consisting of Citation Resources Ltd and its subsidiaries (the Group) as required by the Corporations Act 2001.

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

### 2. Summary of Significant Accounting Policies

In order to assist in the understanding of the financial statements, the following summary explains the material accounting policies that have been adopted in the preparation of the financial statements.

#### (a) Basis of Preparation

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### (b) Statement of Compliance

The financial statements comply with Australian Accounting Standards and, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### (c) Going Concern

The Group has incurred a net loss after tax for the year ended 30 June 2015 of \$20,162,255 (2014: \$8,028,406). As at the 30 June 2015, the Group reported a net working capital deficiency of \$3,004,375 (2014: \$739,848).

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 normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The continuation as a going concern is dependent upon obtaining further funding, and managing discretionary expenditure as required. Following on from the approval received at the recent EGM the Company is currently finalising the necessary documentation for the approved entitlements issue which will be distributed to shareholders in the coming weeks.

Additionally, a number of the Company's creditors at 30 June 2015 have confirmed that they will not require payment of outstanding monies until the Company have sufficient available working capital to make the payments. Further, resolutions were passed at the General Meeting held 25 September 2015 (refer note 31), in respect to the company capital raising initiatives.

The Directors are confident that, subject to the achievement of the above matters along with the support of a number of the Company's creditors and results of the recent General Meeting, the Group will be able to continue its operations as a going concern.

In view of the foregoing, the directors are of the opinion that they have a reasonable expectation that the Group will have adequate resources to continue to operate for at least the next twelve months. For these reasons, they continue to adopt the going concern basis in preparing the financial report.

#### (d) Principles of Consolidation

The Group financial statements consolidate those of the Parent Company (Citation Resources Limited) and all of its subsidiaries as of 30 June 2015. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

## Notes to the Financial Statements

### **(d) Principles of Consolidation (continued)**

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### *(i) Functional and presentation currency*

The financial statements are prepared in Australian Dollars which is the functional and presentation currency of the Company.

### **(e) Impairment of Assets**

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

### **(f) Property, Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset which is estimated to vary between 3 and 5 years.

### **(g) Development Assets**

Upon the commencement of commercial production from each identifiable area of interest, the exploration and evaluation expenditure incurred up to that point is impairment tested and then reclassified to development assets.

## Notes to the Financial Statements

### (g) Development Assets (continued)

When production commences, the accumulated costs for the relevant area of interest are amortised on a units of production method based on the ratio of actual production to remaining proved reserves (P1) as estimated by independent petroleum engineers over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

The carrying amount of development assets is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to accumulated losses.

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

### (h) Impairment of assets

The consolidated entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and included in profit or loss. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as available-for-sale are not reversed through profit or loss.

### (i) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity respectively.

## Notes to the Financial Statements

### (h) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a net basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

### (i) Exploration and Evaluation Expenditure

The Group's policy with respect to exploration and evaluation expenditure is to use the area of interest method. Under this method exploration and evaluation expenditure is carried forward on the following basis:

1. Each area of interest is considered separately when deciding whether, and to what extent, to carry forward or write off exploration and evaluation costs.
2. Exploration and evaluation expenditure related to an area of interest is carried forward provided that rights to tenure of the area of interest are current and that one of the following conditions is met:
  - such evaluation costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
  - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise, economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs accumulated in respect of each particular area of interest include only net direct expenditure.

### (k) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.



## Notes to the Financial Statements

### (l) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### (m) Employee Entitlements

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

### (n) Earnings Per Share

#### (i) Basic earnings per share

Basic earnings per share is determined by dividing the operating loss attributable to owners of the Group after income tax by the weighted average number of ordinary shares outstanding during the financial period.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the period.

### (o) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the consolidated entity.

Revenue from the sale of oil and gas and related products is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership and the amounts can be measured reliably. In the case of oil, this usually occurs at the time of lifting.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

### (p) Provisions

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

### (q) Foreign Currency Translations and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

## Notes to the Financial Statements

### (r) Trade and Other Receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less a provision for impairment. Other receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

### (s) Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

### (r) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (s) Acquisition of Assets

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

### (r) Share Based Payments

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

### (s) New Accounting Standard and Interpretations

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Information on these new standards which are relevant to the Group is presented below.

- *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014 and has been adopted in this financial report. The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

## Notes to the Financial Statements

### (s) New Accounting Standard and Interpretations (continued)

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 *Fair Value Measurement*, the IASB decided to amend IAS 36 *Impairment of Assets* to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets* and is applicable to annual reporting periods beginning on or after 1 January 2014. The adoption of these amendments in this financial report has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

- AASB 2014-1 *Amendments to Australian Accounting Standards* (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010-2012 Cycle*:

- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- amend AASB 8 *Operating Segments* to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011-2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014. The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

### (t) New Accounting Standard and Interpretations not yet Effective

New and revised accounting standards and amendments that are currently issued for future reporting periods that are relevant to the Group include:

- AASB 9 *Financial Instruments*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

*The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.*

## Notes to the Financial Statements

### (t) New Accounting Standard and Interpretations not yet Effective

#### - AASB 14 *Regulatory Deferral Accounts*

AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

*When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.*

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

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

*The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.*

#### - AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*

This amendment impacts on the use of AASB 11 when acquiring an interest in a joint operation.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*

#### - AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*

#### - AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

## Notes to the Financial Statements

### (t) New Accounting Standard and Interpretations not yet Effective

- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* (2011). The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

### 3. Critical Accounting Estimates And Judgements

In preparing these financial statements the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

#### (i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Capitalisation of Exploration and Evaluation Expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

In the future and this may lead to the subsequent impairment of the assets concerned.

#### Deferred Tax Assets

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

#### (ii) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. There were no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are.

## Notes to the Financial Statements

### 4. REVENUE AND OTHER INCOME

|   | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| <b>Revenue is comprised as follows:</b>                   |                      |                      |
| Revenue from the sale of hydrocarbons                     | 3,207,354            | 3,385,397            |
| Total revenue   | 3,207,354            | 3,385,397            |
| <b>Interest and other income is comprised as follows:</b> |                      |                      |
| Interest income   | 5,583                | 183,919              |
| Gain on fair value of the derivative liability            | -                    | 405,536              |
| Other   | 10,407               | -                    |
| Total other income  | 15,990               | 589,455              |

### 5. EXPENSES

|   | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| <b>Loss includes the following specific expenses:</b>           |                      |                      |
| <i>Operating expenses</i>                                       |                      |                      |
| Costs of production   | 2,383,683            | 2,340,804            |
| Staff costs   | 1,126,768            | 672,886              |
| Total operation expenses  | 3,510,451            | 3,013,690            |
| <i>Depreciation, depletion and amortisation</i>                 |                      |                      |
| Oil and gas properties depreciation, depletion and amortisation | 700,781              | 724,919              |
| Total depreciation, depletion and amortisation                  | 700,781              | 724,919              |
| <i>General depreciation expense</i>                             |                      |                      |
| Plant and equipment   | 1,165                | 843                  |
| Total general depreciation                                      | 1,165                | 843                  |
| <i>Employee expenses</i>  |                      |                      |
| Wages and salaries  | 554,591              | 512,235              |
| Total employee costs  | 554,591              | 512,235              |
| <i>Corporate and administrative expenses</i>                    |                      |                      |
| Rent and occupancy  | 151,766              | 193,881              |
| Travel expenses   | 97,621               | 131,512              |
| Insurance expenses  | 69,474               | 140,261              |
| Marketing expenses  | 6,046                | 76,188               |
| Other expenses  | 321,320              | 399,866              |
| Total corporate and administrative expenses                     | 646,227              | 941,708              |
| <i>Finance costs</i>  |                      |                      |
| Interest expense  | 18,006               | 57,112               |
| Borrowing costs   | 265,930              | 1,847,860            |
| Total financing costs   | 283,936              | 1,904,972            |

## Notes to the Financial Statements

### 6. TAXATION

|   | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| Loss before income tax  | (20,162,255)         | (8,028,406)          |
| Prima facie benefit on loss from continuing activities at 30% tax rate (2014: 30%)        | (6,048,677)          | (2,408,522)          |
| Tax effect of amounts which are not deductible in calculating taxable income:             |                      |                      |
| Entertainment   | 30                   | 2,061                |
| Share based payment   | -                    | 92,545               |
| Overseas travel   | 3,000                | 9,773                |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | 6,045,647            | 2,304,143            |
| Total income tax expense  | -                    | -                    |

The following deferred tax balances have not been recognised:

Deferred tax assets (at 30%):

|                              |           |           |
|------------------------------|-----------|-----------|
| Carry forward revenue losses | 7,984,711 | 3,993,626 |
| Carry forward capital losses | 1,410,543 | 1,410,543 |
| Capital raising costs        | 161,650   | 141,484   |
| Provisions and accruals      | 6,037     | 6,037     |
|                              | 9,562,941 | 5,551,690 |

The tax benefits of the Deferred Tax Assets will only be obtained if:

- (a) The company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) The company continues to comply with the condition for deductibility imposed by law; and
- (c) No changes in income tax legislation adversely affect the company in utilising the tax benefits

Deferred tax liabilities (at 30%):

|   |       |         |
|---|-------|---------|
| Exploration, evaluation and development costs | -     | -       |
| Accrued interest                              | 1,957 | 282     |
|   | 1,957 | 169,207 |

The above Deferred Tax Liabilities have not been recognised as they have given rise to carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

## Notes to the Financial Statements

### 7. LOSS PER SHARE

|   | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| <b>(a) Basic earnings per share</b>   |                      |                      |
| Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate basic earnings per share   | 14,888,293           | 6,601,602            |
| <b>(b) Diluted earnings per share</b>   |                      |                      |
| Loss from continuing operations attributable to owners of Citation Resources Ltd used to calculate diluted earnings per share | 14,888,293           | 6,601,602            |

|   | CONSOLIDATED<br>2015<br>Number of Shares | CONSOLIDATED<br>2014<br>Number of Share |
|---|--|---|
| Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share <sup>(1)</sup> | 1,576,491,990                            | 1,083,803,388                           |
| Loss per share attributable to owners of the company:   |  |   |
| Basic loss per share (cents per share)  | (0.94)                                   | (0.61)                                  |
| Diluted loss per share (cents per share)  | n/a                                      | n/a                                     |

<sup>(1)</sup> The total weighted average number of shares has been calculated on a pre-consolidation basis, noting the Company completed a 100:1 consolidation of capital during May 2015.

Options being potential shares are not considered dilutive and have not been used to calculate diluted loss per share.

### 8. CASH AND CASH EQUIVALENTS

|                          | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--------------------------|----------------------|----------------------|
|                          | \$                   | \$                   |
| Cash at bank - Australia | 449,107              | 432,770              |
| Cash at bank - Guatemala | -                    | 1,638,685            |
| Short term deposits      | -                    | 34,817               |
|                          | 449,107              | 2,106,272            |

#### (a) Cash at Bank

Amounts held in the Group's cheque and online savings accounts attract variable rates commensurate with a business cheque and online savings account.

#### (b) Short Term Deposits

The Company holds the following short term deposits:

#### 30 June 2015

| Amount (\$) | Term | Rate | Expiry |
|-------------|------|------|--------|
| -           | -    | -    | -      |
| -           |      |      |        |

#### 30 June 2014

| Amount (\$) | Term     | Rate | Expiry       |
|-------------|----------|------|--------------|
| 34,817      | 3 months | 3.6% | 14 July 2014 |
| 34,817      |          |      |              |



## Notes to the Financial Statements

### 9. TRADE AND OTHER RECEIVABLES

|                                  | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|----------------------------------|----------------------|----------------------|
|                                  | \$                   | \$                   |
| Trade receivables                | 399,596              | 349,352              |
| Other receivables <sup>(1)</sup> | 505,339              | 206,140              |
|                                  | <u>904,935</u>       | <u>555,492</u>       |

<sup>(1)</sup> Includes an amount of \$500,000 relating to shares issued before year-end with the cash for the shares being received post year end. Included in 2014 is an amount of \$189,263 due from Range Resources Ltd ("Range") in relation to Range's share of Latin American Resources cash calls paid by Citation on behalf of Range, which was subsequently netted off as part of the Texas asset transaction with Range during the current year.

### 10. PROPERTY, PLANT AND EQUIPMENT

|                                     | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|-------------------------------------|----------------------|----------------------|
|                                     | \$                   | \$                   |
| <i>Plant and equipment</i>          |                      |                      |
| - at cost                           | 23,313               | 23,313               |
| - accumulated depreciation          | (23,313)             | (22,148)             |
| Total plant and equipment           | <u>-</u>             | <u>1,165</u>         |
| Total property, plant and equipment | <u>-</u>             | <u>1,165</u>         |

*Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:*

*Reconciliation of the carrying amount of plant and equipment:*

|  |          |              |
|--|----------|--------------|
| Carrying amount at beginning of financial year | 1,165    | 2,008        |
| Additions                                      | -        | -            |
| Disposal                                       | -        | -            |
| Depreciation expense for the period            | (1,165)  | (843)        |
| Carrying amount at end of financial year       | <u>-</u> | <u>1,165</u> |

### 11. OTHER NON-CURRENT ASSETS

|                                | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--------------------------------|----------------------|----------------------|
|                                | \$                   | \$                   |
| Texas asset <sup>(1)</sup>     | 1,693,812            | -                    |
| Other non-current assets       | 1,145,797            | 1,145,797            |
| Total trade and other payables | <u>2,839,609</u>     | <u>1,145,797</u>     |

<sup>(1)</sup> In January 2015 the Company completed the acquisition of the Texas interests with \$1.6m being incurred on the acquisition and drilling costs. Refer to note 15 re the financing arrangement with Maxmillian with respect to the Texas interest.

## Notes to the Financial Statements

### 12. DEVELOPMENT ASSETS

|  | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Balance at the beginning of the year   | 7,304,038            | -                    |
| Development costs transferred from exploration and evaluation <sup>(1)</sup> | -                    | 8,264,900            |
| Development expenditure incurred   | 546,598              | -                    |
| Amortisation   | (700,781)            | (724,919)            |
| Impairment on development assets <sup>(2)</sup>                              | (6,657,599)          | -                    |
| Movement in foreign exchange rates   | 1,946,705            | (235,943)            |
| Balance at the end of the year   | 2,438,961            | 7,304,038            |

- (1) During the prior year, expenditure associated with the producing Atzam #4 was transferred from exploration and evaluation expenditure to development assets upon the acquisition of the interest in Latin American Resources.
- (2) At year end management assessed the carrying value of the asset and has recorded an impairment charge against the development assets of \$6,657,599 given declines in oil price and market capitalisation.

### 13. EXPLORATION AND EVALUATION EXPENDITURE

|   | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| <b>Exploration and evaluation</b>                       |                      |                      |
| Balance at the beginning of the year <sup>(1)</sup>     | 17,632,106           | 11,002,344           |
| Acquired during the period at fair value <sup>(2)</sup> | -                    | 13,115,955           |
| Transfer to development assets – note 12                | -                    | (8,264,900)          |
| Exploration expenditure incurred                        | 385,203              | 2,405,888            |
| Exploration expenditure written off <sup>(3)</sup>      | (8,067,456)          | (627,181)            |
| Movement in foreign exchange rates                      | 425,860              |                      |
| Balance at the end of the year                          | 10,375,713           | 17,632,106           |

<sup>(1)</sup> The balance carried forward represents capitalised exploration expenditure regarding areas of interest where either exploration activities are ongoing or where recoupment of exploration costs is expected through commercial development or exploitation or sale.

<sup>(2)</sup> The acquisition relates to the interest acquired in the Atzam #4 Guatemala project through the acquisition of Citation Resources Aus Pty Ltd and the 60% interest in Latin American Resources.

<sup>(3)</sup> At year end, management assessed the carrying value of the exploration and evaluation assets and in light of the decline in the oil price seen during the year and subsequent market capitalisation decline, the Company has recorded an impairment charge against the exploration and evaluation assets. In the prior period, with the Company's focus shifting to oil and gas exploration projects, the Company to write down the Australian tenements to nil.

## Notes to the Financial Statements

### 14. TRADE AND OTHER PAYABLES

|                                | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--------------------------------|----------------------|----------------------|
|                                | \$                   | \$                   |
| Trade payables                 | 2,246,044            | 2,210,938            |
| Other payables <sup>(1)</sup>  | 481,444              | 752,902              |
| Total trade and other payables | <u>2,727,488</u>     | <u>2,963,840</u>     |

Refer Note 27 for split of liabilities and borrowings per geographical segment.

<sup>(1)</sup> Within other payables in the prior year is the value of 65m shares not yet issued at year end in relation to retention and incentive plans – valued at A\$0.01 per share.

### 15. BORROWINGS

|  | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Short term financing facility <sup>(1)</sup> | 40,750               | -                    |
| Short term financing facility <sup>(2)</sup> | 1,004,000            | -                    |
| Short term financing facility <sup>(3)</sup> | 1,500,000            | 979,432              |
| Total borrowings                             | <u>2,544,750</u>     | <u>979,432</u>       |

<sup>(1)</sup> In March 2015, the Company raised \$235,000 in convertible notes on the terms below:

- Unless converted into ordinary shares in the Borrower in accordance with this Deed, the Principal Sum will be repaid by the Borrower in the amount of the Principal Sum, plus 25% interest cost (Interest) with 12 months
- The Principal is repayable either:
  - o Subject to shareholder approval being obtained (if required), at the election of the Lender, through conversion into ordinary shares of the Borrower at the lower of the price equal to the price the Borrower may raise equity within 12 months of the Draw Down Date or at an 80% VWAP price for 5 days before conversion; or
  - o Repaid in cash before the Due Date by the Borrower; or
  - o A combination of (a) and (b) as agreed by the Parties.

During the period a portion of the loan has been classified as an embedded derivative – refer note 16.

<sup>(2)</sup> In March 2015, the Company also entered into a short term bridging facility with Maximilian Capital LLC for USD\$800,000, on the following terms:

- Bullet prepayment of USD\$1.2m on or before 31 January 2016;
- Maximilian holding the shares in RARL effectively on trust for up to 12 months, until the bullet repayment is made upon which the security is released and the Company will receive 100% of the issued shares in RARL;
- Net revenue from the project is settled against the debt owing during the 12 month period; and
- Equity issued by the Company on a pre-consolidation basis of:
  - o 25m Shares;
  - o 33m Options (31 January 2020, \$0.03);
  - o 33m Options (31 January 2020, \$0.04); and
  - o 67m Options (31 January 2020, \$0.05).

<sup>(3)</sup> In May 2014, the Company undertook a short term financing facility of up to \$2,000,000 to provide working capital for the Company by entering into a debt facility with a syndicate of lenders.

## Notes to the Financial Statements

### 15. BORROWINGS (CONT)

- Principal terms of the financing facility were as follows:
  - a. Establishment fee – 66,000,000 CTRO listed options were issued / due to be issued to the Lenders as an establishment fee
  - b. Face value - \$2,400,000
  - c. Interest – 10% per annum / default interest 20% per annum
  - d. Original term –
    - i. For \$660,000 of the loan plus accrued interest, on or before 31 July 2014
    - ii. For \$1,320,000 of the loan, \$100,000 instalments plus accrued interest on amount outstanding to be paid, on or before each calendar month commencing 31 August 2014 with balance plus accrued interest being paid on or before 30 April 2015.
    - iii. For \$420,000 of the loan plus accrued interest on or before 30 April 2015.
  - e. During the year, the Company made repayments on the loan comprising \$700,000 in cash and issued 150,000,000 ordinary shares to the lenders, with the 150,000,000 shares being sold by the lender at an average price of \$0.0035 as settlement against the loan..
  - f. Following on from the EGM held in May 2015, the loan holders agreed to convert their outstanding loans and accrued interest into convertible notes to the value of \$1,5000,000 on the following terms:
    - i. Term – being 6 months from the date of issue of the convertible note
    - ii. Interest – interest on amounts outstanding under the Convertible Security if the loan is not converted by the due date is payable in a lump sum at a rate of 15% per annum on the principal sum.
    - iii. Conversion – at the election of the Lender, through conversion into ordinary shares of the Company at the lower of the price equal to the price per share pursuant to any capital raising completed by the Company prior to the Maturity Date or at an 80% VWAP price for 5 days before conversion

In the prior year, a portion of the loan has been classified as a derivative financial liability. Included in the balance above is the amortisation of the embedded derivative being bought into the loan balance for the period of \$684,674.

## Notes to the Financial Statements

### 16. DERIVATIVE FINANCIAL INSTRUMENTS

|  | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Derivative liabilities from convertible financing facilities | 336,204              | 960,000              |
|  | <b>336,204</b>       | <b>960,000</b>       |

Movement in derivative liabilities during the period is as follows:

|  | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Carrying amount at 1 July  | 960,000              | -                    |
| Recognition of derivative from convertible financing facilities          | 211,499              | 1,365,536            |
| Fair value movement  | 124,705              | (405,536)            |
| Extinguishment of convertible loan with unwinding of embedded derivative | (960,000)            | -                    |
|  | <b>336,204</b>       | <b>960,000</b>       |

Derivative liabilities arise from the Group's short term financing facilities as referred to in Note 15.

The values of the derivative fluctuate with the Company's underlying share price and the time to expiry. The change in the value of derivatives between inception date and 30 June 2015 are due to the difference in the Company's share price between inception date and 30 June 2015 and is recognised as an unrealised loss / profit in the Statement of Profit or Loss and Comprehensive Income.

### 17. CONTRIBUTED EQUITY

#### (a) Ordinary Shares as at 30 June 2015

|                            | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
|                            | No of shares         | No of shares         | \$                   | \$                   |
| Fully paid ordinary shares | <b>57,296,861</b>    | 1,234,665,067        | <b>36,668,838</b>    | 32,651,060           |

| Reconciliation of share movement                                       | No of shares           | Issue Price | Amount            |
|--|------------------------|-------------|-------------------|
| <b>Opening balance at 1 July 2014</b>                                  | <b>1,234,665,067</b>   |             | <b>32,651,060</b> |
| Shares issued as part of incentive and retention from prior period (i) | 100,000,000            | \$0.01      | 1,000,000         |
| Shares issued as part payment of loan facility (ii)                    | 30,000,000             | \$0.008     | 240,000           |
| Shares issued as part payment of loan facility (iii)                   | 60,000,000             | \$0.006     | 360,000           |
| Shares issued as part payment of loan facility (iv)                    | 60,000,000             | \$0.004     | 240,000           |
| Shares issued as part of the Texas transaction and financing (v)       | 245,000,000            | \$0.001     | 245,000           |
| Consolidation of capital 100:1 basis (vi)                              | (1,712,368,206)        |             | -                 |
| Shares issued as part payment of loan facility (vii)                   | 20,000,000             | \$0.05      | 1,000,000         |
| Shares issued in placement (vii)                                       | 10,000,000             | \$0.05      | 500,000           |
| Shares issued in placement (vii)                                       | 10,000,000             | \$0.05      | 500,000           |
| <b>Total shares issued</b>   | <b>(1,177,368,206)</b> |             | <b>4,085,000</b>  |
| Less share issue costs   | -                      |             | (67,222)          |
| <b>Balance at 30 June 2015</b>   | <b>57,296,861</b>      |             | <b>36,668,838</b> |

## Notes to the Financial Statements

### 17. CONTRIBUTED EQUITY (CONTINUED)

- (i) In the prior year, there was an amount of 65m shares not yet issued in relation to retention and incentive plans, which were issued in July 2014, along with an additional 35,000,000 shares on the same terms for the current period.
- (ii) In August 2014 the Company issued 30,000,000 shares with a value of \$240,000 to settle portion of loan payable, which were sold by the lender at an average price of \$0.0061 as settlement against the loan, resulting in a net loss on conversion of debt to equity of \$55,593.
- (iii) In September 2014 the Company issued 60,000,000 shares with a value of \$360,000, which were sold by the lender at an average price of \$0.0038 as settlement against the loan, resulting in a net loss on conversion of debt to equity of \$134,651.
- (iv) In October 2014 the Company issued 60,000,000 shares with a value of \$240,000, which were sold by the lender at an average price of \$0.002 as settlement against the loan, resulting in a net loss on conversion of debt to equity of \$120,000.
- (v) In January 2015, the Company completed the purchase of the Texas asset from Range Resources Limited along with completing a financing with Maxmillian Capital LLC. As part of the transaction a total of 245m shares were issued to Range, Maxmillian and Advisors at a deemed issue price of \$0.001.
- (vi) In May 2015, following the receipt of shareholder approval at the Company's EGM, the Company completed a consolidation of the capital of the Company on a 100:1 basis.
- (vii) In June 2015, the Company issued 20,000,000 shares with a value of \$1,000,000, to settle in part loans of the Company. In addition, the Company issued 20,000,000 shares in two tranches raising \$1,000,000 of which \$500,000 was received subsequent to year end.

| Reconciliation of share movement   | No of shares         | Issue Price | Amount            |
|--|----------------------|-------------|-------------------|
| <b>Opening balance at 1 July 2013</b>                                      | <b>445,056,226</b>   |             | <b>17,819,929</b> |
| Shares issued on conversion of short term working capital facility (i)     | 99,000,000           | 0.021       | 2,079,000         |
| Shares issued on conversion of loan payable to Range Resources Ltd (ii)    | 80,222,222           | 0.021       | 1,684,668         |
| Shares issued to the vendors of Citation Resources Australia Pty Ltd (iii) | 107,000,000          | 0.021       | 2,247,000         |
| Shares issued in placement (iv)  | 300,000,000          | 0.020       | 6,000,000         |
| Shares issued on conversion of loan payable to Range Resources Ltd (v)     | 158,160,487          | 0.016       | 2,555,568         |
| Shares issued on conversion of short term convertible loan facility (vi)   | 45,226,132           | 0.015       | 678,390           |
| <b>Total shares issued</b>   | <b>1,234,665,067</b> |             | <b>33,064,555</b> |
| Less share issue costs   | -                    |             | (413,495)         |
| <b>Balance at 30 June 2014</b>   | <b>1,234,665,067</b> |             | <b>32,651,060</b> |

- (i) On 31 July 2013 the Company issued 99,000,000 shares to settle its \$990,000 short term financing facility with the share price at the date of issue being \$0.021 per share and as a result, a loss amounting to \$1,089,000 is recognised in the statement of profit and loss and other comprehensive income.
- (ii) On 31 July 2013 the Company issued 80,222,222 shares to settle \$1,604,445 of its loan payable to Range Resources Ltd, with the share price at the date of issue being \$0.021 per share and as a result, a loss amounting to \$80,223 is recognised in the statement of profit and loss and other comprehensive income.

## Notes to the Financial Statements

### 17. CONTRIBUTED EQUITY (CONTINUED)

- (iii) On 31 July 2013 the Company issued 107,000,000 shares to the vendors of Citation Resources Australia Pty Ltd. 53,000,000 shares were issued upon the achievement of a commercial test from Atzam #4 well of at least 200 bopd (Milestone 1). 54,000,000 shares were issued upon the Company electing to participate in the second Guatemalan well, Atzam #5 (Milestone 2). With the share price at the date of issue being \$0.021 per share and as a result, a gain amounting to \$400,000 is recognised in the statement of profit and loss and other comprehensive income.
- (iv) On 19 August 2013 the Company issued 300,000,000 shares to raise \$6,000,000 before costs.
- (v) On 18 October 2013 the Company issued 158,160,487 shares to settle \$2,763,208 of its loan payable to Range Resources Ltd. With the share price at the date of issue being \$0.016 per share and as a result, a gain amounting to \$232,641 is recognised in the statement of profit and loss and other comprehensive income.
- (vi) On 4 April 2014 the Company issued 45,226,132 shares to settle its \$450,000 loan payable. With the share price at the date of issue being \$0.015 per share and as a result, a loss amounting to \$278,390 is recognised in the statement of profit and loss and other comprehensive income.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### (b) Share Options as at 30 June 2014

| Reconciliation of option movement                | No of options      | Issue Price | Amount           |
|--|--------------------|-------------|------------------|
| <b>Opening balance at 1 July 2014</b>            | <b>491,214,750</b> |             | <b>589,404</b>   |
| Consolidation of capital 100:1 basis (i)         | (486,302,592)      | -           | -                |
| Unlisted options issued (ii)                     | 1,330,000          | -           | 81,110           |
| Adjustment on embedded derivative                | -                  | -           | 99,309           |
| <b>Option reserve</b>                            |                    |             | <b>769,829</b>   |
| <b>Opening balance at 1 July 2014</b>            |                    |             | <b>1,517,387</b> |
|  | -                  |             | -                |
| <b>Share based payment reserve (note 16 (c))</b> |                    |             | <b>1,517,387</b> |
| <b>Balance at 30 June 2015</b>                   | <b>6,242,158</b>   |             |                  |

- (i) In May 2015, following the receipt of shareholder approval at the Company's EGM, the Company completed a consolidation of the capital of the Company on a 100:1 basis.
- (ii) In January 2015, the Company completed the purchase of the Texas asset from Range Resources Limited along with completing a financing with Maxmillian Capital LLC. As part of the transaction a total of 1,330,000 unlisted options were issued to Maxmillian as follows:
  - a. 670,000 unlisted options - \$0.05 exercisable on or before 31 January 2020
  - b. 330,000 unlisted options - \$0.04 exercisable on or before 31 January 2020
  - c. 330,000 unlisted options - \$0.03 exercisable on or before 31 January 2020

## Notes to the Financial Statements

### 17. CONTRIBUTED EQUITY (CONTINUED)

The following table lists the inputs to the model used for the valuation of the options (pre 100:1 share consolidation):

|                                 |                 |                 |                 |
|---------------------------------|-----------------|-----------------|-----------------|
| Valuation date                  | 31 January 2015 | 31 January 2015 | 31 January 2015 |
| Dividend yield (%)              | Nil             | Nil             | Nil             |
| Expected volatility (%)         | 176%            | 176%            | 176%            |
| Risk-free interest rate (%)     | 1.99%           | 1.99%           | 1.99%           |
| Expected life of options (days) | 1,826           | 1,826           | 1,826           |
| Option exercise price (\$)      | \$0.005         | \$0.004         | \$0.003         |
| Share price at grant date (\$)  | \$0.001         | \$0.001         | \$0.001         |
| Expiry date                     | 31 January 2015 | 31 January 2015 | 31 January 2015 |
| Performance conditions          | none            | none            | none            |
| Total Value                     | \$39,105        | \$20,335        | \$21,676        |

| Reconciliation of option movement                | No of options      | Issue Price | Amount           |
|--|--------------------|-------------|------------------|
| <b>Opening balance at 1 July 2013</b>            | <b>354,702,160</b> |             | <b>983,220</b>   |
| Options expired (i)                              | (226,563,271)      | -           | (400,220)        |
| Free attaching options (ii)                      | 150,000,000        | -           | -                |
| Unlisted options issued (iii)                    | 8,750,000          | 0.006       | 52,754           |
| Fair value movement of options                   |                    |             | (46,350)         |
| <b>Option reserve</b>                            |                    |             | <b>589,404</b>   |
| <b>Opening balance at 1 July 2013</b>            |                    |             | <b>247,000</b>   |
| Free attaching options (iv)                      | 53,500,000         | 0.008       | 428,000          |
| Attaching options (v)                            | 40,111,111         | 0.007       | 280,778          |
| Options issued as share based payments (vi)      | 18,750,000         | 0.005       | 93,750           |
| Attaching options (vii)                          | 50,000,000         | 0.006       | 300,000          |
| Options issued as share based payments (viii)    | 41,964,750         | 0.004       | 167,859          |
| <b>Share based payment reserve (note 16 (d))</b> |                    |             | <b>1,517,387</b> |
| <b>Balance at 30 June 2014</b>                   | <b>491,214,750</b> |             |                  |

- (i) The Company's CTROA listed options, exercisable at \$0.07, expired on 31 July 2013.
- (ii) On 19 August 2013 the Company issued 150,000,000 free attaching options on the basis of 1 option for every 2 placement shares issued.
- (iii) In May 2014, an initial 8,750,000 unlisted options were issued to the Lenders who provided a short term financing facility to the Company.
- (iv) On 31 July 2013 the Company issued 53,500,000 attaching options on the basis of 1 option for every 2 shares issued to the vendors of Citation Resources Australia Pty Ltd upon the achievement of a commercial test from the Atzam #4 well of at least 200 bopd (Milestone 1) and upon the Company electing to participate in the second Guatemalan well, Atzam #5 (Milestone 2). The Company has valued these at issue date.
- (v) On 31 July 2013 the Company issued 40,111,111 attaching options on the basis of 1 options for every 2 shares issued to settle \$1,604,444 of its loan payable to Range Resources Limited. The Company has valued these options at issued date resulting in a loss on loan conversion being recognised in the statement of profit and loss and other comprehensive income.
- (vi) On 9 October 2013 the Company issued 18,750,000 listed options to the Lenders providing short term financing facility to the Company. The options were issued as an establishment fee and in lieu of interest on the loan. The value of the options was based on the traded price of the listed option.



## Notes to the Financial Statements

### 17. CONTRIBUTED EQUITY (CONTINUED)

- (vii) On 18 October 2013 the Company issued 50,000,000 options attaching to the 158,160,487 shares issued to Range Resources Limited to settle \$3,163,210 of its loan payable to Range. The Company has valued these options at issued date resulting in a loss on loan conversion being recognised in the statement of profit and loss and other comprehensive income.
- (viii) On 12 February 2014 the Company issued 41,964,750 listed options to the Lenders providing the short term financing facility as consideration for extending the maturity date of the loan from 30 September 2013 to 31 December 2013. The value of the options was based on the traded price of the listed option. The fair value of the share options, at grant date is determined using the binomial option pricing method that takes into account the exercise price, the term of the options, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest term of the options.

The following table lists the inputs to the model used for the valuation of the options:

|                                 |              |
|---------------------------------|--------------|
| Valuation date                  | 17 May 2017  |
| Dividend yield (%)              | Nil          |
| Expected volatility (%)         | 110%         |
| Risk-free interest rate (%)     | 2.29%        |
| Expected life of options (days) | 1,126        |
| Option exercise price (\$)      | \$0.015      |
| Share price at grant date (\$)  | \$0.010      |
| Expiry date                     | 17 June 2017 |
| Performance conditions          | none         |

#### (c) Share Based Payment Reserve

|                                      | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--------------------------------------|----------------------|----------------------|
|                                      | \$                   | \$                   |
| Balance at the beginning of the year | 1,517,387            | 247,000              |
| Options issued                       | -                    | 1,270,387            |
| Total share based payment reserve    | <u>1,517,387</u>     | <u>1,517,387</u>     |

Listed share options were issued in the prior year to a number of Lenders for the extension of the short term financing facility provided to the Company during the year. The value of the options granted were valued at the traded price of the listed options – refer note 17 (b)

#### (d) Capital Management

The group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the group manages its capital by assessing the group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

The group is not subject to any externally imposed capital requirements.

## Notes to the Financial Statements

### 18. ACCUMULATED LOSSES

|   | CONSOLIDATED<br>2015<br>\$ | CONSOLIDATED<br>2014<br>\$ |
|---|----------------------------|----------------------------|
| Accumulated losses at the beginning of the financial year             | (18,112,264)               | (11,910,882)               |
| Loss attributable to the owners of Citation Resources Ltd             | (14,888,293)               | (6,601,602)                |
| Transfer from option reserve following expiry of options – note 17(b) | -                          | 400,220                    |
| Accumulated losses at the end of the financial year                   | <u>(33,000,557)</u>        | <u>(18,112,264)</u>        |

### 19. BUSINESS COMBINATION

#### (a) Summary of acquisition

In August 2013 Citation completed its earn in of a 60% equity interest in Latin American Resources. Latin American Resources became a subsidiary of the Group as at the date of earn in, giving the Group a 60% equitable interest in the Atzam Oil and Tortugas Salt Dome Projects in Guatemala.

Details of the purchase consideration and the net assets acquired are as follows:

|   |                   |
|---|-------------------|
|   | \$                |
| Purchase consideration (refer to (b) below) |                   |
| Cash paid                                   | 9,948,409         |
| Equity                                      | 4,032,500         |
| Contingent consideration                    | -                 |
| Total purchase consideration                | <u>13,980,909</u> |

The assets and liabilities recognised as a result of the acquisition are as follows:

|                                  |                          |
|----------------------------------|--------------------------|
|                                  | \$                       |
| Exploration expenditure          | 16,892,943               |
| Development expenditure          | 6,942,250                |
| Current assets                   | 2,544,304                |
| Trade & other creditors          | (3,036,120)              |
| Provisions                       | (46,849)                 |
| Net identifiable assets acquired | <u>23,296,528</u>        |
| Less: non-controlling interests  | <u>(9,315,619)</u>       |
| <b>Net assets acquired</b>       | <b><u>13,980,909</u></b> |

#### *Non-controlling interests*

In accordance with the Group's accounting policy, the Group has elected to recognise the non-controlling interests in Latin American Resources at its proportionate share of the acquired net identifiable assets.

#### *Revenue and profit contribution*

Latin American Resources contributed revenues of \$3,207,354 and net loss of \$6,858,407 to the Group for year to 30 June 2014.

## Notes to the Financial Statements

### 19. BUSINESS COMBINATION (CONTINUED)

#### (b) Purchase consideration

*Outflow of cash to acquire subsidiary, net of cash acquired*

|   | \$               |
|---|------------------|
| Cash consideration paid prior to 30 June 2013 | 8,795,813        |
| Cash consideration paid during the year       | 1,152,596        |
| Total cash consideration                      | <u>9,948,409</u> |
| Less: balances acquired                       | <u>(490,781)</u> |
| Net outflow of cash                           | <u>9,457,628</u> |

#### *Equity*

|   | \$               |
|---|------------------|
| 107,000,000 milestone shares and 53,500,000 milestone listed options issued to the vendors of Citation Resources Australia Pty Ltd on 31 July 2013. 53,000,000 shares / 26,500,000 options were issued upon the achievement of a commercial test from Atzam #4 well of at least 200 bopd. 54,000,000 shares / 27,000,000 options were issued upon the Company electing to participate in the second Guatemalan well, Atzam #5 | 2,675,000        |
| 42,500,000 attaching options issued in relation to the acquisition  | 297,500          |
| 53,000,000 shares issued to the vendors of Citation Resources Australia Pty Ltd on 19 September 2012 as consideration for the acquisition   | 1,060,000        |
|   | <u>4,032,500</u> |

The values of shares issued as consideration for the acquisition have been determined based on the share price at the date of issue as there is no other more reliable indicator of fair value available.

The values of options issued as consideration for the acquisition have been determined based on the market price at date of issue, given the options were all listed.

#### *Contingent consideration*

The Group must pay a 3% overriding royalty calculated on the Company's net revenue share from all Guatemalan wells drilled except Atzam #4.

No value has been recorded in relation to this royalty at 30 June 2014, but rather treated it as a contingent liability.

## Notes to the Financial Statements

### 20. CASH FLOW INFORMATION

#### (a) Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

|   | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| Loss for the year                                   | (20,162,255)         | (8,028,406)          |
| Adjustments for non-cash movements:                 |                      |                      |
| Depreciation and amortisation                       | 701,946              | 725,762              |
| Exploration, evaluation and development expenditure | 38,873               | 1,482,686            |
| Loss on loan conversions                            | 310,244              | 1,370,751            |
| Share based payment expense                         | -                    | -                    |
| Impairment charge                                   | 15,662,525           | 627,181              |
| Non-cash borrowing costs                            | 284,692              | 2,012,932            |
| Loan to subsidiary written off                      | -                    | -                    |
| Gain on loan conversion of issued share             | -                    | -                    |
| Movement on derivative liability                    | 854,524              | (405,536)            |
| Movement on foreign exchange                        | (1,465)              | 20,526               |
| Change in operating assets and liabilities          |                      |                      |
| (Increase) / decrease in trade and other debtors    | 181,863              | 385,107              |
| Increase / (decrease) in trade and other creditors  | 625,274              | 2,859,987            |
|   | <u>(1,503,779)</u>   | <u>1,050,990</u>     |

### 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Key Management Personnel Compensation

|                     | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|---------------------|----------------------|----------------------|
|                     | \$                   | \$                   |
| Short-term benefits | 180,000              | 294,938              |
| Total               | <u>180,000</u>       | <u>294,938</u>       |

#### (b) Other transactions with key management personnel

Other than in relation to directors fees as disclosed above there were no other transactions with key management personnel.

#### (c) Transactions with other Related Parties

Directors and officers or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial and operating policies of those entities.

## Notes to the Financial Statements

### 21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Details of those transactions at the end of the year are as follows:

| Entity                    | Note  | Nature of transactions  | Transactions |           | Balances  |           |
|---------------------------|-------|---|--------------|-----------|-----------|-----------|
|                           |       |   | Full year    | Full year | Full year | Full year |
|                           |       |   | 30-Jun-15    | 30-Jun-14 | 30-Jun-15 | 30-Jun-14 |
|                           |       |   | \$           | \$        | \$        | \$        |
| Erin Resources Limited    | (i)   | Reimbursement to/from CTR for corporate administration costs          | -            | -         | 966       | -         |
| Tamaska Oil & Gas Limited | (ii)  | Reimbursement to/from CTR for corporate administration costs          | -            | 1,280     | -         | -         |
| Sibella Capital Pty Ltd   | (iii) | Reimbursement to/from CTR for corporate administration costs          | -            | 1,896     | -         | -         |
| Okap Ventures Pty Ltd     | (iv)  | Reimbursement to/from CTR for corporate administration costs          | 37,225       | -         | 31,714    | -         |
| Okap Ventures Pty Ltd     | (iv)  | Provision of corporate / administration and company secretarial costs | 122,000      | 140,000   | 142,000   | -         |

- (v) Erin Resources Limited (ERI) is a company associated with Mr Brett Mitchell, who is currently a director of ERI.
- (vi) Tamaska Oil and Gas Limited (TMK) is a company associated with Mr Brett Mitchell, who was previously a director of TMK.
- (vii) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.
- (viii) Okap Ventures is a company associated with Mr Peter Landau with Okap providing corporate advisory, company secretarial, CFO, financial management and associated services.

### 22. COMMITMENTS

#### (a) Tenement Expenditure Commitments

The minimum expenditure required on the exploration permits held are as follows:

|  | CONSOLIDATED<br>2015 | CONSOLIDATED<br>2014 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| No later than 1 year                         | -                    | 340,000              |
| Later than 1 year but not later than 5 years | -                    | 125,000              |
| Later than 5 years                           | -                    | -                    |
|  | -                    | 465,000              |

## Notes to the Financial Statements

### 22. COMMITMENTS (CONTINUED)

#### (b) Capital Commitments

During the current year, the Company commenced negotiations toward a comprehensive farm out financing arrangement with its project partners on the Guatemalan Project to ensure the Project is fully funded for all short and medium term operational obligations, which has continued subsequent to year end. The Company's goal is to ensure Citation maintains a meaningful interest in the Project which is fully funded by an incoming third party with the Company finance carried through the significant Atzam and Tortugas development and exploration programs for a significant period ahead, thus reducing the Company's capital commitments on the project to nil.

### 23. CONTINGENT ASSETS AND LIABILITIES

The Group must pay a 3% overriding royalty calculated on the Company's net revenue share from all Guatemalan wells drilled except Atzam #4.

### 24. RELATED PARTY TRANSACTIONS

#### (a) Parent Entities

The ultimate parent entity within the Group is Citation Resources Ltd, which at 30 June 2015 owns 100% of the issued ordinary shares of Citation Resources Operations Pty Ltd, incorporated in Australia, 100% of the issued ordinary shares of Citation Resources Inc, incorporated in the U.S and 100% of the issued ordinary shares of Citation Resources Aus Pty Ltd (formerly called Citation Resources Pty Ltd), incorporated in Australia.

#### (b) Transactions with Related Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(d):

| Name of entity   | Country of Incorporation | Class of shares | Equity holding |      |
|--|--------------------------|-----------------|----------------|------|
|  |                          |                 | 2015           | 2014 |
| Parent Entity:   |                          |                 |                |      |
| Citation Resources Limited   |                          |                 |                |      |
| Subsidiaries of Citation Resources Limited:  |                          |                 |                |      |
| Citation Resources Operations Pty Ltd  |                          |                 |                |      |
| Citation Resources Inc <sup>1</sup>  | Australia                | Ordinary        | 100%           | 100% |
| Citation Resources Aus Pty Ltd (formerly Citation Resources Pty Ltd.) <sup>2</sup> | USA                      | Ordinary        | 100%           | 100% |
| Citation Resources Pty Ltd   | Australia                | Ordinary        | 100%           | 100% |
| Subsidiaries of Citation Aus Pty Ltd   |                          |                 |                |      |
| Latin American Resources Ltd   | Bahamas                  | Ordinary        | 60%            | 60%  |

<sup>1</sup> There has been no activity in Citation Resources Inc in the current year.

<sup>2</sup> Citation Resources Aus Pty Ltd was acquired on 1 October 2012.

## Notes to the Financial Statements

### 24. RELATED PARTY TRANSACTIONS (CONTINUED)

| Entity   | Relationship  | Amount owed<br>30-Jun-15<br>\$ | Amount owed<br>30-Jun-14<br>\$ |
|--|---|--------------------------------|--------------------------------|
| <i><u>Subsidiaries of Citation Resources Limited</u></i>                 |   |                                |                                |
| Citation Resources Operations Pty Ltd                                    | A wholly owned subsidiary                             | 4,284,155                      | 4,279,541                      |
| Citation Resources Inc.  | A wholly owned subsidiary                             | -                              | -                              |
| Citation Resources Aus Pty Ltd (formerly<br>Citation Resources Pty Ltd.) | A wholly owned subsidiary<br>acquired during the year | 20,909,837                     | 20,162,024                     |

### 25. REMUNERATION OF AUDITORS

|   | CONSOLIDATED<br>2015<br>\$ | CONSOLIDATED<br>2014<br>\$ |
|---|----------------------------|----------------------------|
| <b>Amounts due and receivable by Grant Thornton Australia</b> |                            |                            |
| Audit and audit review services                               | 39,809                     | 60,000                     |
| <b>Amounts due and receivable by Grant Thornton Dallas</b>    |                            |                            |
| Audit and audit review services                               | -                          | 25,000                     |
| Total auditors remuneration                                   | 39,809                     | 85,000                     |

### 26. FINANCIAL RISK MANAGEMENT

#### Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

The group holds the following financial instruments:

|                                   | CONSOLIDATED<br>2015<br>\$ | CONSOLIDATED<br>2014<br>\$ |
|-----------------------------------|----------------------------|----------------------------|
| <i>Financial Assets</i>           |                            |                            |
| Cash and cash equivalents         | 449,107                    | 2,106,272                  |
| Loans and receivables             | 904,935                    | 555,492                    |
| <i>Financial liabilities</i>      |                            |                            |
| Trade and other payables          | 2,727,488                  | 2,963,840                  |
| Borrowings                        | 2,544,750                  | 979,432                    |
| Financial instrument - derivative | -                          | 960,000                    |

## Notes to the Financial Statements

### 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents.

The Group is in early exploration stages, so there are no significant concentrations of credit risk. The Group ensure the use of leading investment institutions in terms of managing cash.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

#### (c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### (i) Cash flow and interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk. The Group has therefore, assessed its interest rate risk as low.

The following sets out the Group's exposure to interest rate risk:

|                              | Floating<br>interest rate | 1 year or<br>less | Over 1 to 5<br>years | Non interest<br>bearing | Total     | Weighted<br>average<br>interest rate |
|------------------------------|---------------------------|-------------------|----------------------|-------------------------|-----------|--------------------------------------|
| 2015                         | \$                        | \$                | \$                   | \$                      | \$        | %                                    |
| <b>Financial assets</b>      |                           |                   |                      |                         |           |                                      |
| Cash at bank                 | 449,107                   | 449,107           | -                    | -                       | 449,107   | 2.1%                                 |
| <b>Financial liabilities</b> |                           |                   |                      |                         |           |                                      |
| Borrowings                   | -                         | 2,544,750         | -                    | -                       | 2,756,250 | 10%                                  |

|                              | Floating<br>interest rate | 1 year or<br>less | Over 1 to 5<br>years | Non interest<br>bearing | Total     | Weighted<br>average<br>interest rate |
|------------------------------|---------------------------|-------------------|----------------------|-------------------------|-----------|--------------------------------------|
| 2014                         | \$                        | \$                | \$                   | \$                      | \$        | %                                    |
| <b>Financial assets</b>      |                           |                   |                      |                         |           |                                      |
| Cash at bank                 | 2,063,755                 | 2,063,755         | -                    | -                       | 2,063,755 | 1.15%                                |
| Short term deposits          | 34,817                    | 34,817            | -                    | -                       | 34,817    | 3.6%                                 |
| Security deposits            | -                         | -                 | 7,700                | 7,700                   | 7,700     | -                                    |
| <b>Financial liabilities</b> |                           |                   |                      |                         |           |                                      |
| Borrowings                   | -                         | 2,441,902         | -                    | -                       | 2,441,902 | 10%                                  |

The Group has minimal exposure to interest rate risk other than reductions/increases in interest earned should the rates decrease/increase respectively. As an indication of possible sensitivity to changes in interest rates a 10% movement in interest rates, would increase/decrease the annual amount of interest received by \$558 (2014: \$2,892).



## Notes to the Financial Statements

### 26. FINANCIAL RISK MANAGEMENT

#### Fair Value Estimation

The fair value of financial assets and financial liabilities are assumed to approximate their carrying values due to their short term nature.

### 27. SEGMENT INFORMATION

Management has determined the operating segments are based on reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors considers the business from a geographic perspective and have identified the below reportable segments:

| Geographical Segment                    | 30 June 2015  |           |             |              |
|---|---------------|-----------|-------------|--------------|
|   | \$            | \$        | \$          | \$           |
|   | Latin America | Texas     | Australia   | Consolidated |
| <b>Results</b>                          |               |           |             |              |
| Income                                  | 3,207,354     | -         | 15,990      | 3,223,344    |
| Loss for the period                     | (13,184,904)  | -         | (6,977,351) | (20,162,255) |
| Comprehensive loss for the period       | (13,184,904)  | -         | (3,701,648) | (16,886,552) |
| <b>Assets</b>                           |               |           |             |              |
| Segment assets                          | 15,548,345    | 1,693,812 | 1,083,103   | 18,325,260   |
| <b>Total assets</b>                     | 15,548,345    | 1,693,812 | 1,083,103   | 18,325,260   |
| <b>Liabilities</b>                      |               |           |             |              |
| Segment liabilities <sup>(1)</sup>      | 2,461,904     | -         | 3,213,447   | 5,675,351    |
| <b>Total liabilities</b>                | 2,461,904     | -         | 3,213,447   | 5,675,351    |
| <b>Other Segment Information</b>        |               |           |             |              |
| Depreciation                            | (700,781)     | -         | (1,165)     | (701,946)    |
| Impairment of exploration & development | (15,662,525)  | -         | -           | (15,662,525) |

<sup>(1)</sup> Within the \$3.2m balance for Australia includes borrowings of \$2.55m (note 17) and derivative liability of \$0.34m (note 16).

| Geographical Segment                    | 30 June 2014  |             |              |
|---|---------------|-------------|--------------|
|   | \$            | \$          | \$           |
|   | Latin America | Australia   | Consolidated |
| <b>Results</b>                          |               |             |              |
| Income                                  | 3,385,396     | -           | 3,385,396    |
| Loss for the period                     | (3,567,010)   | (4,461,396) | (8,028,406)  |
| Comprehensive loss for the period       | (3,567,010)   | (3,657,542) | (7,224,552)  |
| <b>Assets</b>                           |               |             |              |
| Segment assets                          | 29,858,904    | 489,266     | 30,348,170   |
| <b>Total assets</b>                     | 29,858,904    | 489,266     | 30,348,170   |
| <b>Liabilities</b>                      |               |             |              |
| Segment liabilities                     | (2,287,094)   | (2,717,818) | (5,004,912)  |
| <b>Total liabilities</b>                | (2,287,094)   | (2,717,818) | (5,004,912)  |
| <b>Other Segment Information</b>        |               |             |              |
| Depreciation                            | (724,919)     | (843)       | (725,762)    |
| Impairment of exploration & development | -             | (627,181)   | (627,181)    |

## Notes to the Financial Statements

### 28. SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

The Group includes one subsidiary, Latin American Resources Limited, ("LAR") with material non-controlling interests ("NCI's") – noting the Company acquired LAR during the year

| Name                             | Proportion of Ownership Interests and Voting Rights held by the NCI |      | Profit Allocated to NCI |             | Accumulated NCI |           |
|----------------------------------|---|------|-------------------------|-------------|-----------------|-----------|
|                                  | 2015  | 2014 | 2015                    | 2014        | 2015            | 2014      |
|                                  | %   | %    | \$                      | \$          | \$              | \$        |
| Latin American Resources Limited | 40%   | 40%  | (5,273,962)             | (1,426,804) | 4,247,527       | 8,211,207 |

No dividends were paid during the year.

Summarised financial information for LAR, before intra-group eliminations is set out below:

|  | 2015               | 2014               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Current assets                           | 2,225,034          | 3,588,337          |
| Non-current assets                       | 7,311,096          | 10,598,307         |
| <b>Total assets</b>                      | <b>9,536,130</b>   | <b>14,186,644</b>  |
| Current liabilities                      | (2,032,596)        | (2,185,452)        |
| Non-current liabilities                  | (429,309)          | (101,642)          |
| <b>Total liabilities</b>                 | <b>(2,461,905)</b> | <b>(2,287,094)</b> |
| <b>Equity attributable to the Parent</b> | <b>8,402,380</b>   | <b>17,127,049</b>  |
| <b>Non-controlling interests</b>         | <b>4,247,527</b>   | <b>8,211,207</b>   |

|  | 2015                | 2014               |
|--|---------------------|--------------------|
|  | \$                  | \$                 |
| Revenue  |                     |                    |
| Loss for the year attributable to owners of the Parent                     | (14,888,293)        | (6,601,602)        |
| Loss for the year attributable to NCI                                      | (5,273,962)         | (1,426,804)        |
| <b>Loss for the year</b>   | <b>(20,162,255)</b> | <b>(8,028,406)</b> |
| Other comprehensive income for the year                                    | 3,275,704           | 803,854            |
| Total comprehensive loss for the year attributable to owners of the Parent | (12,922,871)        | (6,120,602)        |
| Total comprehensive loss for the year attributable to NCI                  | (3,963,680)         | (1,104,412)        |
| <b>Total comprehensive income for the year</b>                             | <b>(16,886,551)</b> | <b>(7,224,552)</b> |

## Notes to the Financial Statements

### 29. PARENT ENTITY

The following information relates to the parent entity, Citation Resources Ltd. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

|   | PARENT<br>2015<br>\$ | PARENT<br>2014<br>\$ |
|---|----------------------|----------------------|
| Current assets                          | 954,446              | 669,027              |
| Non-current assets                      | 8,652,269            | 20,897,474           |
| Total assets                            | 9,606,715            | 21,566,501           |
| Current liabilities                     | 3,212,571            | 2,716,943            |
| Non-current liabilities                 | -                    | -                    |
| Total liabilities                       | 3,212,571            | 2,716,943            |
| Contributed equity                      | 45,890,781           | 41,873,003           |
| Accumulated losses                      | (41,783,854)         | (25,130,236)         |
| Options reserve                         | 769,829              | 589,404              |
| Share-based payment reserve             | 1,517,387            | 1,517,387            |
| Total Equity                            | 6,394,143            | 18,849,559           |
| Loss for the year <sup>(1)</sup>        | (17,136,493)         | (1,550,341)          |
| Other comprehensive income              | -                    | -                    |
| Total comprehensive income for the year | (17,136,493)         | (1,550,341)          |

<sup>(1)</sup> Includes the reflection of the asset impairment on the development, exploration and inventory assets in Guatemala against the Parent Investment.

The Parent entity has not entered into any guarantees, has no contingent liabilities or contractual commitments.

### 30. DIVIDENDS

There were no dividends paid or declared by the Group during the year.

### 31. EVENTS AFTER THE END OF THE REPORTING PERIOD

Between the end of the financial period and the date of this report the following material events have occurred:

- The Company held a General Meeting on 25 September 2015, at which all resolutions put to the shareholders were approved, being:
  - o Resolution 1 – Approval of the Acquisition of Pearl Global Pty Ltd
  - o Resolution 2 – Issue of Shares in consideration for the acquisition of interest in Pearl Global Pty Ltd
  - o Resolution 3 – Issue of Shares under Capital Raising
  - o Resolution 4 – Participation by Peter Landau in the Capital Raising
  - o Resolution 5 – Participation by Brett Mitchell in the Capital Raising
  - o Resolution 6 – Participation by Anthony Eastman in the Capital Raising
  - o Resolution 7 – Participation by Victor Truro in the Capital Raising
  - o Resolution 8 – Issue of Options under June Placement
  - o Resolution 9 – Issue of Options under June Debt Conversion
  - o Resolution 10 – Ratification of Prior Issue of Shares – July Placement
  - o Resolution 11 – Issue of Options under July Placement
  - o Resolution 12 – Further Placement – Shares
  - o Resolution 13 – Issue of Options to Corporate Advisers, Employees

## Directors' Declaration

1. In the opinion of the Directors of the Company:
  - a The consolidated financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
    - i Giving a true and fair view of its financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
    - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



**Brett Mitchell**  
**Non-Executive Director**

30 September 2015, at Perth, Western Australia

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W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **Independent Auditor's Report To the Members of Citation Resources Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Citation Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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**Independence**

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

**Basis for disclaimer of auditor's conclusion**

We have been unable to obtain sufficient appropriate audit evidence on the books and records of the subsidiary and the basis of accounting of the consolidated entity. Specifically, we have been unable to satisfy ourselves on the following areas:

*i. Citation Resources Limited*

Citation Resources Limited ("CTR") holds a 60% controlling interest in Latin American Resources Limited ("LAR"), a company incorporated in the Bahamas with operations in Guatemala. For the period of this audit, the directors of CTR has not been 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. The result of LAR that has been consolidated for the period amounts to a net loss of \$13,184,904 (including impairment) and total assets of \$15,548,345.

Due to the unavailability of all supporting information, we are unable to obtain sufficient appropriate audit evidence that we require in order to form a conclusion on the consolidated financial report of the Company for the year ended 30 June 2015, including the valuation and recoverability of LAR assets.

*ii. Going Concern*

The financial report has been prepared on a going concern basis. The directors have provided an update of their assessment of the consolidated entities ability to pay their debts as and when due, however, due to the matter discussed in point (i) we have been unable to assess the estimates and assumptions of the forecast to support this assessment.

**Disclaimer of auditor's opinion**

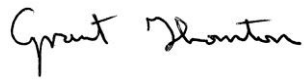
In our opinion, because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

**Report on the remuneration report**

We have audited the remuneration report included in pages 9 to 11 of the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Citation Resources Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner - Audit & Assurance

Perth, 30 September 2015

# Corporate Governance Statement

## OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2<sup>nd</sup> Edition).

In 2010, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2010 Amendments (2<sup>nd</sup> Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2<sup>nd</sup> Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website: [www.citationresources.com.au](http://www.citationresources.com.au)

### 1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### 1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.
- **Recommendation 1.4:** The Company Secretary of a listed entity should be accountable directly to the Board.

#### 1.2 The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Executive Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:-

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Executive Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - Organizational performance and the achievement of strategic goals and objectives
  - Compliance with the Company's code of conduct
  - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;



## Corporate Governance Statement

- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

The Executive Director is responsible for the ongoing management of the Company's operations and report to the Board. He is accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. The Executive Director's performance is reviewed on a regular basis by the Board.

In addition, the Company's Company Secretary is also a Director of the Company and reports to the Board in their capacity as Company Secretary on all matters to do with proper functioning of the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2, 1.3 and 1.4.

## 2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### 2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the board should be independent directors.
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

### 2.2 The Company's practice:

#### Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has two independent, non-executive Directors.

## Corporate Governance Statement

### Composition

The directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives.

The term in office held by each director in office at the date of this report is as follows and details of the professional skills and expertise of each of the directors are set out in the Directors' Report.

| Name            | Position           | Term in Office                        |
|-----------------|--------------------|---------------------------------------|
| Brett Mitchell  | Executive Director | 48 months                             |
| Peter Landau    | Non-Executive      | 20 months (appointed 7 February 2014) |
| Anthony Eastman | Non-Executive      | 6 months (appointed 20 March 2015)    |

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

### Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

### Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

### Nomination committee

The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

### Monitoring of Board Performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendation 2.4 as outlined.

## Corporate Governance Statement

### 3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

#### 3.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the company's integrity
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

#### 3.2 The Company's practice:

##### Ethical Standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

##### Diversity Policy

The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

##### Gender Diversity

As a priority, the Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

## Corporate Governance Statement

### Women Employees, Executives and Board Members

During the year, the Company and its consolidated entities had two (2) female employees/executives:

- its Financial Controller; and
- an Executive Assistant,

which represented approximately 40% of the total number employees, executives and/or board members of the Company and its consolidated entities excluding LAR. There are currently no female members of the Board of the Company or Company Secretary of the Company.

Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

## 4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### 4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
  - consists only of non-executive directors
  - consists of a majority of independent directors
  - is chaired by an independent chair, who is not chair of the board
  - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

## Corporate Governance Statement

### 4.2 The Company's practice:

#### Audit Committee

The Board has not established a separate audit committee and as such has not complied with Recommendation 4.1 & 4.2. The duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, due to the size and current operations of the Company.

- The processes the Board applies in performing this function include:-reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

#### Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The board, consisting of members with financial expertise and detailed knowledge and experience of the oil and gas exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and Financial Controller declared in writing to the Board that the Company's financial reports for the year ended 30 June 2015 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.3 and 4.4. The Company is not compliant with Recommendations 4.1 and 4.2 as outlined.

## Corporate Governance Statement

### 5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

#### 5.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

#### 5.2 The Company's practice:

##### Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- (a) Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
- (b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
- (c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Executive Director and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Executive Director and the Company Secretary, including:

- (d) Media releases;
- (e) Analyst briefings and presentations; and
- (f) The release of reports and operational results.

Continuous disclosure is a standing agenda item for all Board meetings.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

### 6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

#### 6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

## Corporate Governance Statement

### 6.2 The Company's practice:

#### Shareholder Communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:-

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

## 7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### 7.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The board should require management to design and implement a risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

## Corporate Governance Statement

### 7.2 The Company's practice:

#### RISK MANAGEMENT

##### Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

##### Oversight of the Risk Management System

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Executive Director has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

##### Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.



## Corporate Governance Statement

### 8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

#### 8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The board should establish a remuneration committee.
- **Recommendation 8.2:** The remuneration committee should be structured so that it:
  - consists of a majority of independent directors
  - is chaired by an independent chair
  - has at least three members
- **Recommendation 8.3:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

#### 8.2 The Company's Practice:

##### Remuneration Committee

The Company does not currently have a separate remuneration committee and as such has not complied with Recommendation 8.1 or Recommendation 8.2. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

##### Remuneration Policies

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Director and the executive team (if applicable). The Board may engage external consultants for independent advice in the future as it deems necessary.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and senior executives emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and Motivation of senior executives
2. Attraction of quality management to the Company
3. Performance incentives (if appropriate) which allow executives to share the rewards of the success of the Company

Remuneration of Non-Executive Directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the Remuneration Report on pages 9 to 11 above. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.3 and Recommendation 8.4 and is not compliant with Recommendation 8.1 or Recommendation 8.2 as outlined.

## Additional ASX Information

### Number of holders of equity securities

The shareholder information set out below was applicable as at 28 September 2015.

### Ordinary shares

As at 28 September 2015, the issued capital comprised of 57,296,861 ordinary fully paid shares (ASX code: CTR) held by 1,570 holders.

### Options

As at 28 September 2015, the Company had the following options available to be exercised:

- 4,824,658 listed options (CTRO) over ordinary shares with an exercise price of \$4.00 each, exercisable on or before 15 December 2015;
- 87,500 unlisted options over ordinary shares with an exercise price of \$1.50 each, exercisable on or before 17 June 2017;
- 670,000 unlisted options over ordinary shares with an exercise price of \$0.50 each, exercisable on or before 31 January 2020;
- 330,000 unlisted options over ordinary shares with an exercise price of \$0.40 each, exercisable on or before 31 January 2020; and
- 330,000 unlisted options over ordinary shares with an exercise price of \$0.30 each, exercisable on or before 31 January 2020.

### Distribution of holder's equity security

| FULLY PAID ORDINARY SHARES (ASX: CTR) |                   |
|---------------------------------------|-------------------|
| HOLDING                               | NUMBER OF HOLDERS |
| 1 – 1,000                             | 746               |
| 1,001 – 5,000                         | 352               |
| 5,001 – 10,000                        | 152               |
| 10,000 – 100,000                      | 228               |
| 100,001 and over                      | 92                |
| <b>TOTAL NUMBER OF HOLDERS</b>        | <b>1,570</b>      |

### Options to acquire fully paid ordinary shares with exercise price of \$4.00 and expiry date of 15 December 2015.

| HOLDING                        | NUMBER OF HOLDERS |
|--------------------------------|-------------------|
| 1 – 1,000                      | 31                |
| 1,001 – 5,000                  | 91                |
| 5,001 – 10,000                 | 40                |
| 10,000 – 100,000               | 65                |
| 100,001 and over               | 9                 |
| <b>TOTAL NUMBER OF HOLDERS</b> | <b>236</b>        |

### Substantial shareholders

| ORDINARY SHAREHOLDER   | FULLY PAID ORDINARY SHARES<br>NUMBER |
|--|--------------------------------------|
| Mr John Colin Loosemore & Mrs Susan Marjory Loosemore <Loosemore Super Fund A/C> | 3,280,283                            |

## Additional ASX Information

### Top 20 shareholders

| Rank  | Name  | Units             | %age of Units |
|---|---|-------------------|---------------|
| 1   | Mr John Colin Loosemore & Mrs Susan Marjory Loosemore <Loosemore Super Fund A/C>    | 3,280,283         | 5.73          |
| 2   | Bantry Holdings Pty Ltd <Bantry Family A/C>   | 2,671,000         | 4.66          |
| 3   | Mr Mario Michelle Giacci <The MM Giacci Family A/C>                                 | 2,200,000         | 3.84          |
| 4   | ACP Investments Pty Ltd <A & L Pismiris S/F A/C>                                    | 2,000,000         | 3.49          |
| 5   | Mr Paul Geoffrey Mathews & Mrs Celyna Jade Mathews <The Mathews Family A/C>         | 1,835,000         | 3.20          |
| 6   | Kedo (Aust) Pty Ltd   | 1,800,000         | 3.14          |
| 7   | Tampilo Pty Ltd <The Yeo Family A/C>  | 1,800,000         | 3.12          |
| 8   | Mr Kenneth Craig Stevenson  | 1,785,000         | 2.23          |
| 9   | Lesuer Pty Ltd <PMB Super Fund A/C>   | 1,275,000         | 1.87          |
| 10  | Melov Pty Ltd   | 1,070,000         | 1.75          |
| 11  | Greenlink Pty Ltd <The Debsago A/C>   | 1,000,000         | 1.75          |
| 12  | Hollywood Marketing Pty Ltd   | 1,000,000         | 1.75          |
| 13  | Mr Massimo Perotti & Mrs Annette Francis Perotti <The Perotti Super Fund A/C>       | 1,000,000         | 1.75          |
| 14  | Ryan Nominees Pty Ltd <Prolific Super Fund A/C>                                     | 1,000,000         | 1.75          |
| 15  | Stevsand Holdings Pty Ltd   | 900,000           | 1.57          |
| 16  | Mr Peter James McKenzie   | 863,000           | 1.51          |
| 17  | Mr Reginald Thomas Ferguson & Mrs Helen Imelda Ferguson <R Ferguson Super Fund A/C> | 650,000           | 1.13          |
| 18  | Mr Victor Gugger  | 600,000           | 1.05          |
| 19  | Mr Peter Tapp   | 600,000           | 1.05          |
| 20  | UBS Wealth Management Australia Nominees Pty Ltd                                    | 574,155           | 1.00          |
| <b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b> |   | <b>27,903,438</b> | <b>48.70</b>  |



## **NOTICE OF ANNUAL GENERAL MEETING**

**For the Annual General Meeting of the Company to be held at 2:30pm  
(WST) on Friday 27<sup>th</sup> of November 2015 at  
Offices of Grant Thornton  
Cottesloe Boardroom  
Level 2  
10 Kings Park Road, West Perth  
Western Australia**

*This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by  
telephone on +61 8 9488 5220***

# CITATION RESOURCES LTD

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## IMPORTANT INFORMATION

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### TIME AND PLACE OF MEETING

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Notice is hereby given that an Annual General Meeting of Shareholders of Citation Resources Ltd (**Company**) will be on Friday, 27<sup>th</sup> of November 2015 at 2:30 pm (WST) (**Meeting**).

Offices of Grant Thornton  
Cottesloe Boardroom  
Level 2, 10 Kings Park Road  
West Perth  
Western Australia

### YOUR VOTE IS IMPORTANT

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

### VOTING ELIGIBILITY

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4 pm (WST) on 25 November 2015.

### VOTING IN PERSON

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

## VOTING BY PROXY

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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.

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

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 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.

Shareholders and their proxies should be aware of changes made in 2011 to the Corporations Act mean that:

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

Further details on these changes is set out below.

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

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- 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
- 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
- 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
- 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***

Section 250BC of the Corporations Act provides that, if:

- 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
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - 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.

## BUSINESS OF THE MEETING

### AGENDA

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#### 1. Financial Statements and Report

To table and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2015 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

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#### 2. Resolution 1 – Adoption of Remuneration Report

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2015."*

**Note: the vote on the Resolution is advisory only and does not bind the Directors of the Company**

**Voting Exclusion:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
  - (b) the voter is the Chair and the appointment of the Chair as proxy:
    - (i) does not specify the way the proxy is to vote on this Resolution; and
    - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- 

#### 3. Resolution 2 – Re-election of Director – Mr Anthony Eastman

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

*"That in accordance with article 11.12 of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Anthony Eastman, a Director who was appointed casually on 20 March 2015, retires, and being eligible, is re-elected as a Director."*

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#### 4. Resolution 3 – Re-election of Director – Mr Brett Mitchell

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

*"That in accordance with article 11.3 of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Brett Mitchell, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

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## 5. Resolution 4 – Approval of 10% Placement Facility

To consider, and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totaling up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.”*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associate of such a person) who may participate in the 10% Placement Facility and a person (and any associate of such a person) who might obtain a benefit, except a benefit solely in their capacity as holder of Shares, if the Resolution is passed.

However, the Company will not disregard a vote if:

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

Dated 30 October 2015

**BY ORDER OF THE BOARD**

**Anthony Eastman**

Company Secretary



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**EXPLANATORY MEMORANDUM**

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**1. Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at the offices of Grant Thornton, Level 1, 10 Kings Park Road West Perth, Western Australia, on Friday 27 November 2015 at 2:30pm (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

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**2. Financial Statements and Reports**

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2015 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.citationresources.com.au](http://www.citationresources.com.au).

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**3. Resolution 1 – Adoption of Remuneration Report**

**3.1 General**

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

**3.2 Voting consequences**

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

### 3.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

### 3.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

| Proxy  | Directed                | Undirected                                   |
|--|-------------------------|--|
| Key Management Personnel (other than the Chair) <sup>1</sup> | Can vote directed votes | Cannot vote undirected votes <sup>3</sup>    |
| Chair <sup>2</sup>   | Can vote directed votes | Can vote at discretion of Proxy <sup>4</sup> |
| Other third party  | Can vote directed votes | Can vote at discretion of Proxy              |

Notes:

1. Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.
2. Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).
3. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.
4. The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions. The Proxy Form states that by appointing the Chair as a proxy (or where the Chair becomes proxy by default) the Shareholder gives the Chair express authority to exercise the proxy on Resolution 1 (except where indicated differently) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

## 4. Resolution 2 – Re-election of Director – Mr Anthony Eastman

Mr Anthony Eastman was appointed as a Non-Executive Director of the Company on 20 March 2015 in accordance with article 11.11 of the Constitution, which provides that the Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the number specified by the Constitution.

Article 11.12 of the Constitution states that any Director who is appointed under article 11.11 holds office until the next annual general meeting of the Company and is then eligible for re-election.

In accordance with article 11.12 of the Constitution, Mr Eastman retires from office and, being eligible for re-election, submits himself for re-election as a Director of the Company.

Mr Eastman is a Chartered Accountant with a number of years experience in financial management and corporate advisory services. He has previously worked with Ernst & Young and

CalEnergy Gas Ltd, a subsidiary of the Berkshire Hathaway Group of Companies in both Australia and the United Kingdom.

During the previous 3 years Mr Eastman has been an executive director and company secretary of ASX and AIM listed Range Resources Limited, resigning on 13 June 2014.

The Board believes that Mr Eastman has performed the duties and responsibilities of a Non-Executive Director of the Company diligently and professionally since his appointment, in the best interests of all Shareholders.

The Board (excluding Mr Eastman) unanimously supports the re-election of Mr Eastman.

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## 5. **Resolution 3 – Re-election of Director – Mr Brett Mitchell**

Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 year, whichever is the longer.

The Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years without submitting himself or herself for re-election;
- (b) the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots; and
- (c) a Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr Mitchell, the Director longest in office since his last election, retires by rotation and seeks re-election.

Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries. He has been involved in the founding, financing and management of both private and publicly-listed resource companies and holds executive and non-executive directorship roles. Mr Mitchell is a partner in Verona Capital, a private minerals focused venture capital and project generation business.

Mr Mitchell holds a Bachelor of Economics from the University of Western Australia.

The Board (excluding Mr Mitchell) unanimously supports the re-election of Mr Mitchell.

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## 6. **Resolution 4 – Approval of 10% Placement Facility**

### 6.1 **General**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity, with a market capitalisation of \$3,666,999.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 6.2 below).

As disclosed in the Company's announcements to the ASX, the Company continues to actively seek funding for its existing assets and investments. The Company may use the 10% Placement Facility to fund its existing assets and investments, acquire new assets or investments and for general working capital.

The Directors of the Company believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

## 6.2 Description of Listing Rule 7.1 A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two (2) classes of quoted Equity Securities, being Shares (ASX Code: CTR) and Listed Options (ASX Code: CTRO).

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, the number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of Shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of Shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of Shares under the entity's 15% placement capacity without shareholder approval;
- (D) less the number of Shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%.

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c) above).

### **6.3 Listing Rule 7.1A**

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

### **6.4 Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) **Minimum Price**

The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities in that class, calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

**(10% Placement Period).**

(c) **Risk of voting dilution**

If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Equity Securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of Shares the Company has on issue at the date of this Notice. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

| Variable "A" in Listing Rule 7.1A.2                       |                            | Dilution                               |                        |   |
|---|----------------------------|--|------------------------|---|
|   |                            | \$0.032<br>50% decrease in Issue Price | \$0.064<br>Issue Price | \$0.128<br>100% increase in Issue Price |
| <b>Current Variable A</b><br>260,657,755                  | <b>10% voting Dilution</b> | 26,065,776                             | 26,065,776             | 26,065,776                              |
|   | <b>Funds Raised</b>        | \$834,105                              | \$1,668,210            | \$3,336,419                             |
| <b>50% increase in current Variable A</b><br>390,986,633  | <b>10% voting Dilution</b> | 39,098,663                             | 39,098,663             | 39,098,663                              |
|   | <b>Funds Raised</b>        | \$1,251,157                            | \$2,502,314            | \$5,004,629                             |
| <b>100% increase in current Variable A</b><br>521,315,510 | <b>10% voting Dilution</b> | 52,131,551                             | 52,131,551             | 52,131,551                              |
|   | <b>Funds Raised</b>        | \$1,668,210                            | \$3,336,419            | \$6,672,839                             |

The table has been prepared on the following assumptions:

- (i) There are currently 260,657,755 Shares on issue comprising:
  - (a) 57,296,861 existing Shares as at the date of this Notice of Meeting;
  - (b) 203,360,894 Shares which are to be issued pursuant to Resolutions 2 and 3 of the general meeting held on 25 September 2015.
- (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.

- (iii) No options, performance shares or performance rights are exercised into shares before the date of the issue of Equity Securities.
- (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based in that Shareholder's holding at the date of the Meeting.
- (vi) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
- (viii) The issue price is \$0.064 being the closing price of the Shares on the ASX on 22 October 2015.

(c) **Purpose of Issue under 10% Placement Capacity**

The Company may seek to issue the Equity Securities as cash or non-cash consideration for the purpose of raising funds to be used towards the Company's oil & gas assets and the Pearl transaction along with working capital requirements.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(d) **Allocation policy under 10% Placement Capacity**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the recipients of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the purpose of the issue;
- (ii) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the financial situation and solvency of the Company; and
- (v) advice from corporate, financial and broking advisors (if applicable).

The recipients under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the recipients under the 10% Placement Facility will be the vendors of the new resources assets or investments.

(e) **Previous approval under Listing Rule 7.1A**

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its 2014 annual general meeting held on 26 November 2014.

The total number of Equity Securities issued by the Company in the 12 months preceding the date of this meeting is:

- (i) 280,000,000 Shares issued in January 2015;

- (ii) The Company completed a 100:1 consolidation as approved by Shareholders in May 2015;
- (iii) 1,330,000 Unlisted Options issued in May 2015;
- (iv) 30,000,000 Shares issued in June 2015;
- (v) 10,000,000 Shares issued in July 2015,

(together, **12 Month Equity Securities**), being a total of 280,000,000 pre-consolidation Shares, 40,000,000 post-consolidation Shares and 1,330,000 Options.

The percentage that the 12 Month Equity Securities represent of the total number of Equity Securities (including Shares and Listed Options) on issue at the commencement of that 12 month period is approximately 227%, which was 1,940,879,817 pre-consolidation, approximately 19,408,798 post-consolidation. The table at Schedule 2 details all issues of Equity Securities by the Company during the 12 months preceding the date of this Meeting as required by Listing Rule 7.3A.

- (f) When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:
  - (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
  - (ii) the information required by Listing Rule 3.10.5A for release to the market.
- (g) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the notice.



## Schedule 1 - Definitions

In this Notice and the Explanatory Memorandum:

**\$** means Australian Dollars.

**10% Placement Facility** has the meaning given in Section 6.1.

**10% Placement Period** has the meaning given in Section 6.4(b).

**Annual Report** means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2015.

**ASX** means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors.

**Business Day** means:

- (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth.

**Chair** or **Chairman** means the person appointed to chair the Meeting convened by this Notice.

**Citation** and **Company** means Citation Resources Ltd ABN 90 118 710 508 and ACN 118 710 508.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Constitution** means the constitution of the Company as at the commencement of the Meeting.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Memorandum** means the explanatory memorandum attached to the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Listing Rules** means the listing rules of ASX.

**Meeting** means the meeting convened by this Notice.

**Notice** means this notice of meeting.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution contained in the Notice.

**Schedule** means a schedule to this Notice.

**Section** means a section contained in this Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**Unlisted Options** means the unlisted options exercisable at \$0.50, \$0.40 and \$0.30 all expiring on 31 January 2020.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

**Schedule 2 – Issues of Equity Securities by the Company**  
**over the last 12 Months**

| Date   | Quantity                 | Class                         | Recipients  | Issue price and discount to Market Price (if applicable) <sup>2</sup> | Form of consideration   |
|--|--------------------------|-------------------------------|---|---|---|
| Issue - 27 January 2015<br>Appendix 3B – 30 January 2015 | 200,000,000 <sup>1</sup> | Shares <sup>3</sup>           | Range Resources Limited   | No issue price (non-cash consideration)                               | Consideration: for the acquisition of the Texas assets from Range Resources Limited<br>Current value <sup>9</sup> = \$128,000 |
| Issue - 27 January 2015<br>Appendix 3B – 30 January 2015 | 80,000,000 <sup>1</sup>  | Shares <sup>3</sup>           | Various advisors and consultants for the provision of facilitation, financing and corporate advisory services | No issue price (non-cash consideration)                               | Consideration: settlement of facilitation, financing and corporate advisory services<br>Current value <sup>9</sup> = \$51,200 |
| Issue -18 May 2015<br>Appendix 3B – 21 May 2015          | 670,000                  | Unlisted Options <sup>4</sup> | Maxmillian LLC  | No issue price (non-cash consideration)                               | Consideration: financing fee<br>Current value <sup>10</sup> = \$39,105  |
| Issue -18 May 2015<br>Appendix 3B – 21 May 2015          | 330,000                  | Unlisted Options <sup>5</sup> | Maxmillian LLC  | No issue price (non-cash consideration)                               | Consideration: financing fee<br>Current value <sup>10</sup> = \$20,335  |
| Issue -18 May 2015<br>Appendix 3B – 21 May 2015          | 330,000                  | Unlisted Options <sup>6</sup> | Maxmillian LLC  | No issue price (non-cash consideration)                               | Consideration: financing fee<br>Current value <sup>10</sup> = \$21,676  |
| Issue - ~ 26 June 2015<br>Appendix 3B – 25 June 2015     | 20,000,000               | Shares <sup>3</sup>           | Sophisticated and professional investors with short term financing facility to the Company                    | No issue price (non-cash consideration)                               | Consideration: partial repayment of short term financing facility<br>Current value <sup>9</sup> = \$1,280,000                 |
| ~ 26 June 2015   | 10,000,000               | Shares <sup>3</sup>           | Sophisticated and professional investors with short term financing facility to the Company                    | \$0.05  | Capital Raising<br>Current value <sup>9</sup> = \$640,000   |
| Issue - ~ 27 July 2015<br>Appendix 3B – 25 August 2015   | 10,000,000               | Shares <sup>3</sup>           | Sophisticated and professional investors with short term financing facility to the Company                    | \$0.05  | Capital Raising<br>Current value <sup>9</sup> = \$640,000   |

<sup>1.</sup> Pre 100:1 consolidation that was approved by shareholders and completed in May 2015.

2. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
3. Fully Paid Ordinary Shares in the capital of the Company, ASX Code: CTR (terms are set out in the Constitution).
4. Unlisted Options, exercisable at \$0.50 each, on or before 31 January 2020
5. Unlisted Options, exercisable at \$0.40 each, on or before 31 January 2020
6. Unlisted Options, exercisable at \$0.30 each, on or before 31 January 2020
7. Unlisted Options, exercisable at \$1.50 each, on or before 17 June 2017
8. Listed Options, exercisable at \$4.00 each, on or before 15 December 2015
9. The value is based on the closing price of the Shares (\$0.064) on the ASX on the trading day prior to the date of the finalisation of this Notice, being 22 October 2015.
10. The value of Unquoted Options is measured using the Black & Scholes option pricing model that takes into account the exercise price, the term of the Unquoted Options, the share price at grant date and expected price volatility of the underlying Share and the risk free interest rate for the term of the Unquoted Options.

# CITATION RESOURCES LTD

A C N 1 1 8 7 1 0 5 0 8

## PROXY FORM

The Company Secretary  
Citation Resources Ltd

**By delivery:**

Ground Floor,  
1 Havelock Street  
West Perth WA 6005

**By post:**

PO Box 684  
West Perth WA 6005

**By facsimile:**

+61 8 9324 2400

Name of Shareholder:

Address of  
Shareholder:

Number of Shares  
entitled to vote:

Please mark ☒ to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the Meeting.

### Step 1 - Appoint a Proxy to Vote on Your Behalf

The Chairman of the  
Meeting (mark box)

☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Meeting of the Company to be held at 2:30 pm (WST time) on Friday, 27 November 2015, at the offices of Grant Thornton, Cottesloe Boardroom, Level 2, 10 Kings Park Road, West Perth, Western Australia and at any adjournment or postponement of that Meeting.

### Important – If the Chairman of the Meeting is your proxy or is appointed your proxy by default

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 1. If the Chairman of the Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 1, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

### Step 2 - Instructions as to Voting on Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

|              |  | For                      | Against                  | Abstain                  |
|--------------|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Remuneration Report                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Re-election of Director – Mr Anthony Eastman | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Re-election of Director – Mr Brett Mitchell  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 | Approval of 10% Placement Capacity           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.**

**Authorised signature/s**

This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

<sup>1</sup> Insert name and address of Shareholder

<sup>2</sup> Insert name and address of proxy

\*Omit if not applicable

**Proxy Notes:**

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding:                    where the holding is in more than one name all of the holders must sign.

Power of Attorney:            if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies:                    a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate 'Certificate of Appointment of Representative' should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the office of the Company at Ground Floor, 1 Havelock Street, West Perth, WA 6005, Western Australia, or by post to P.O. Box 684, West Perth WA 6005, or facsimile (08) 9324 2400 if faxed from within Australia or +61 8 9324 2400 if faxed from outside Australia), not less than 48 hours prior to the time of commencement of the Meeting (WST).

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Citation Resources Limited

ABN /~~ARBN~~:

90 118 710 508

Financial year ended:

30 June 2015

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

☒ These pages of our annual report: Pages 53 – 64

The Corporate Governance Statement is accurate and up to date as at *[insert effective date of statement]* and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 30 October 2015

Name of Director or Secretary authorising  
lodgement:

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

| Corporate Governance Council recommendation                             |   | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>  |
|---|---|---|--|
| <b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b> |   |   |  |
| 1.1   | A listed entity should disclose:<br>(a) the respective roles and responsibilities of its board and management; and<br>(b) those matters expressly reserved to the board and those delegated to management.  | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i><br>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):<br><input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.2   | A listed entity should:<br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i>   | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.3   | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.   | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i>   | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.4   | The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.   | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i>   | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.



| Corporate Governance Council recommendation |   | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>  |
|---|---|--|--|
| 1.5   | <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> | <p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.6   | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>  | <p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>            |
| 1.7   | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>   | <p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>            |

| Corporate Governance Council recommendation           |  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>  |
|---|--|--|--|
| <b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b> |  |  |  |
| 2.1   | <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 2.2   | A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.  | <p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>            |

| Corporate Governance Council recommendation        |   | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>  |
|--|---|--|--|
| 2.3  | A listed entity should disclose:<br>(a) the names of the directors considered by the board to be independent directors;<br>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and<br>(c) the length of service of each director. | ... the names of the directors considered by the board to be independent directors:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i><br>... and, where applicable, the information referred to in paragraph (b):<br><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i><br>... and the length of service of each director:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement   |
| 2.4  | A majority of the board of a listed entity should be independent directors.   | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i>  | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 2.5  | The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.   | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i>  | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 2.6  | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.  | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i>  | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| <b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b> |   |  |  |
| 3.1  | A listed entity should:<br>(a) have a code of conduct for its directors, senior executives and employees; and<br>(b) disclose that code or a summary of it.   | ... our code of conduct or a summary of it:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u><br><input type="checkbox"/> at <i>[insert location]</i>   | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement   |

| Corporate Governance Council recommendation              |  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup> |
|--|--|---|---|
| PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING |  |   |   |
| 4.1  | <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>        |
| 4.2  | <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>   | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>                   |

| Corporate Governance Council recommendation                 |  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>   |
|---|--|---|---|
| 4.3   | A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.                  | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>   | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable             |
| <b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>    |  |   |   |
| 5.1   | A listed entity should:<br>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and<br>(b) disclose that policy or a summary of it. | ... our continuous disclosure compliance policy or a summary of it:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>  | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement  |
| <b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b> |  |   |   |
| 6.1   | A listed entity should provide information about itself and its governance to investors via its website.   | ... information about us and our governance on our website:<br><input checked="" type="checkbox"/> at <a href="http://www.citationresources.com.au">www.citationresources.com.au</a>  | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement  |
| 6.2   | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.  | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>   | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement  |
| 6.3   | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.                                      | ... our policies and processes for facilitating and encouraging participation at meetings of security holders:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable |
| 6.4   | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.                   | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>   | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement  |

| Corporate Governance Council recommendation |  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup> |
|---|--|---|---|
| PRINCIPLE 7 – RECOGNISE AND MANAGE RISK     |  |   |   |
| 7.1   | <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>                   |
| 7.2   | <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>   | <p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>                   |

| Corporate Governance Council recommendation |   | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup> |
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| 7.3   | <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | <p>[If the entity complies with paragraph (a):]<br/>... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]<br/>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>                   |
| 7.4   | <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>  | <p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>                   |

| Corporate Governance Council recommendation     |  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>   |
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| PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY |  |   |   |
| 8.1   | <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>   |
| 8.2   | A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.   | <p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>   |
| 8.3   | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>   | <p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |



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| Corporate Governance Council recommendation                             |  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup> |
| ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES |  |   |   |
| -   | <p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p> | <p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>         | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>                   |
| -   | <p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>  | <p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>                   |