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## QUARTERLY ACTIVITY REPORT

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### HIGHLIGHTS

- **Continued strong operational performance and further improvements:**
  - **Pearl processed over 1,100 tonnes of used tyres for the quarter equivalent to 137,000 car tyres**
  - **26% increase in production over last quarter showing six quarters of continued production growth**
- **Customer receipts increased 55% for the quarter to \$543,000**
- **Agreement in principle reached with local domestic customer for the sale of 100% of fuel and carbon products**
- **Third Thermal Desorption Unit on target for March quarter commissioning**
- **Extensive perimeter testing over two months by environmental regulator demonstrates ongoing emissions and odour compliance**
- **Technical investigation on Pearl's lifecycle greenhouse gas emission reductions by RPS demonstrates Pearl's clean conversion process. For every 1 tonne of tyres processed around 430-540kg CO<sub>2</sub>-e is reduced which makes way for Pearl to pursue carbon credits**

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31 January 2020

The Board of Pearl Global Limited (**Pearl or the Company**) (ASX:PG1) provides an operations update and Appendix 4C to shareholders for the quarter ended 31 December 2019.

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### Production volume growth

The Company cleanly converted in excess of 137,000 used tyres, or 1,100 tonnes. The chart below (Chart 1) reflects 6 quarters of production increases.

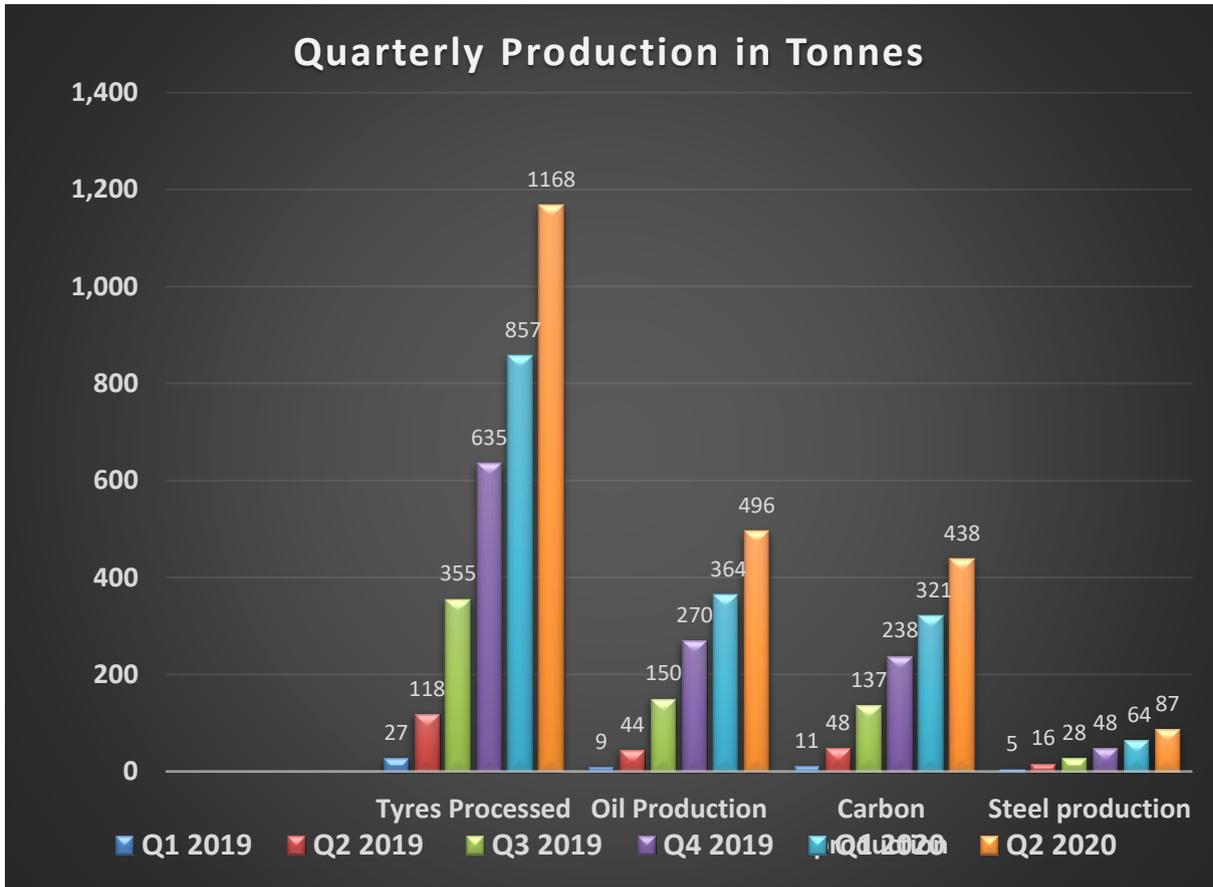


Chart 1: Quarterly production at Pearls Queensland facility (Source: Company)

Demonstrating continuous volume growth is an important indicator for the Company, as it shows continuous improvement in its operating systems. In the last 12 months, Pearl has processed approximately 400,000 waste tyres, which is equivalent to the number of tyres stockpiled and left as an environmental disaster in the Shire of Moira, Victoria and reported by the ABC in October 2018. Below is an indication of the number of tyres Pearl has processed in the last 12 months.



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Mr. Andrew Drennan, Managing Director, said that, “production growth continued to improve in line with our expectations. We remain focused on safe and steady growth as we improve our operating efficiencies through the training and development of our people and review of our processes. We look forward to being able to commission TDU3 in the coming quarter, which will further add production gains.”

## Commentary on 4C

### Increase in customer receipts

Customer receipts grew to \$543,000 for the quarter, an increase of 55%. Chart 2 below illustrates steady growth in receipts as the Company continues to develop more markets for its products.

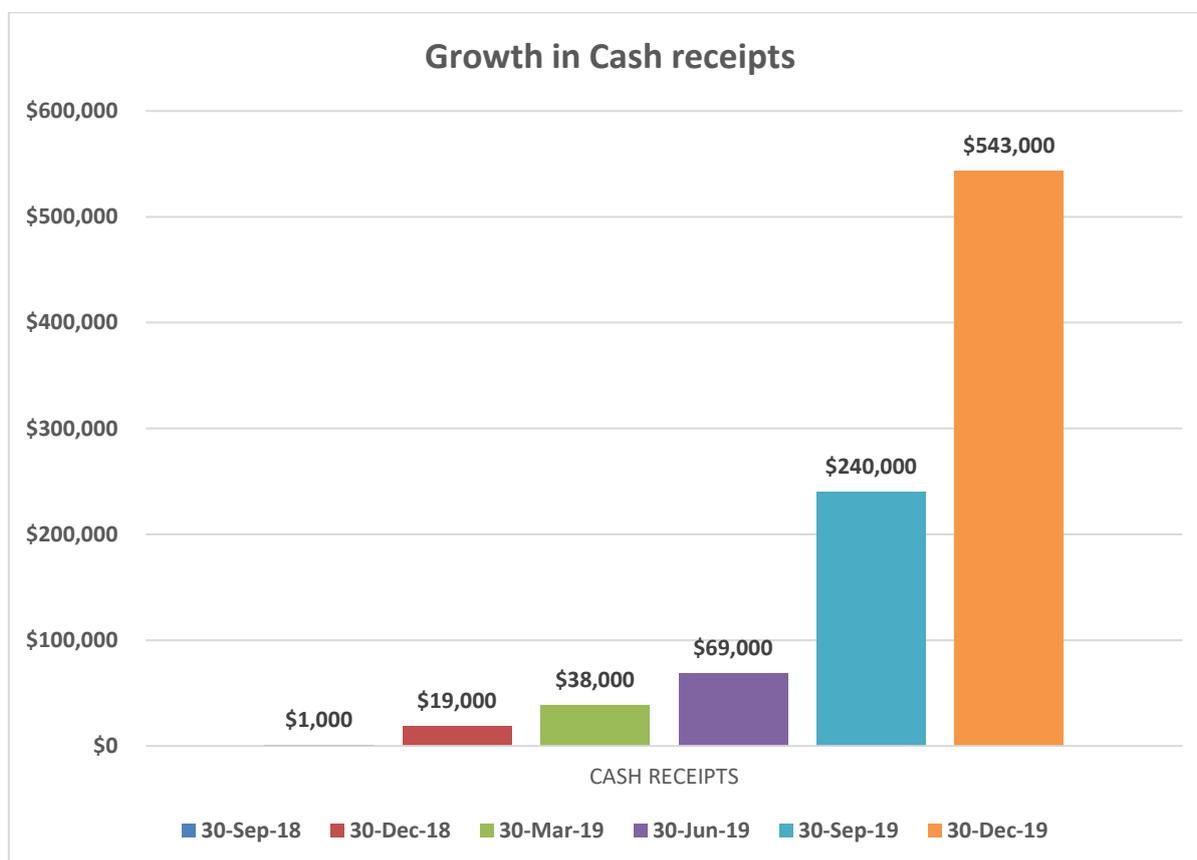


Chart 2: Growth in Customer receipts (Source: Company)

### OPEX and Corporate costs:

Over the last 12 months staff costs and Directors salaries have remained relatively flat averaging \$323,750 (this quarter \$333,000). Similarly, administration and corporate costs have averaged \$326,000 per quarter for the last 12 months (this quarter \$354,000). Product manufacturing and operating costs have risen this quarter due to the Company reporting for the first time, a full quarter of costs associated with Australian Tyre Processors and payment of manufacturing improvements to thermal desorption units which has increased production.

Some of the major one-off payments made in the quarter included the deposit for TDU3 of \$640,000, one off environmental testing of \$130,000 for Stapylton (perimeter monitoring), and milestone payments for the acquisition of Australian Tyre Processors and related costs of \$150,000. Funding alternatives are being actively considered to finance ongoing growth.

### **Agreement in-principle with local Queensland manufacturer**

During the quarter Pearl agreed, in principle, terms for the sale of 100% of its current and future production at its Stapylton facility. The general terms contemplate a 5-year partnership where Pearl will supply the local manufacturer with up to 10,000 tonnes of raw fuels and up to 7,000 tonnes of carbon char per annum for its manufacturing operations. The parties have agreed to complete a definitive binding agreement as soon as practicable at which time material terms will be disclosed to the market.

### **Third Thermal desorption unit on target to commission by March 2020**

Construction of Pearl's third thermal desorption unit is on target and expected to be completed, with commissioning beginning by March 2020. Built-in design improvements are expected to result in an increase in long term reliability and production volume is anticipated.

### **Extensive perimeter testing by environmental regulator demonstrates continued compliance within in strict environmental requirements**

A four-week ambient air monitoring program was undertaken during the quarter. The purpose of the ambient air monitoring program was to verify predicted air emissions modelling that had been undertaken to support previous environmental approvals and inform future approvals. All Total Reduceable Sulphur compounds, Volatile Organic Compounds and the representative combustion gasses were below National Environmental Protection Measures (NEPM) and other specified criteria, which is a measure of ambient air quality. These results will be used in future new site applications.

### **Technical investigation on Pearl's lifecycle greenhouse gas (GHG) emissions demonstrates the positive environmental benefit of Pearls' clean conversion process**

According to a recent report by RPS Group, "*Pearl Global is reducing GHG emissions while extracting valuable resources from end-of-life tyres.*" RPS recently undertook a lifecycle analysis assessment to estimate the GHG emissions reduced from the facility's operations which showed that; "**Around 430-540kg of CO<sub>2</sub>-e is reduced for every tonne of tyre processed by the facility.**" The report confirms Pearl's position as a company pursuing strong environmental outcomes from the disposal of waste. The report which will be available publicly in the coming weeks, will allow Pearl to pursue opportunities within the carbon credit market and government carbon abatement schemes.

The December 2019 quarterly Appendix 4C follows.

#### **Further information, please contact:**

**Investors** – Gary Foster [gf@pearlglobal.com.au](mailto:gf@pearlglobal.com.au)

**Website** – <https://www.pearl-global.com.au>

#### **About Pearl Global Limited**

*Pearl Global Limited (Pearl) (ASX:PG1) is a revolutionary tyre processing company that applies unique, next-generation thermal desorption technology to cleanly convert tyres into valuable secondary products including waste to energy opportunities. Pearl has Australia's first environmental approvals for the thermal treatment of rubber and is in the process of commissioning its first commercial scale production plant in Stapylton, Queensland.*

*Pearl's technology is a significant advancement on other methods of processing waste tyres because it has low emissions, no hazardous by-products, requires no chemical intervention and is the only process that meets the standard emissions criteria set by the Australian regulators for this type of technology.*

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

PEARL GLOBAL LIMITED (ASX: PG1)

**ABN**

90 118 710 508

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	543	783
1.2 Payments for		
(a) research and development	(38)	(75)
(b) product manufacturing and operating costs	(1,341)	(1,622)
(c) advertising and marketing	-	-
(d) leased assets	(291)	(467)
(e) staff costs/directors salary	(333)	(595)
(f) administration and corporate costs	(354)	(610)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(5)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	412	412
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,406)</b>	<b>(2,176)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments for acquisition of:		
(a) property, plant and equipment	(836)	(1,185)
(b) businesses (see item 10)	(150)	(428)
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(986)</b>	<b>(1,613)</b>

<b>3.</b> <b>Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(139)	(157)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>(139)</b>	<b>(157)</b>

<b>4.</b> <b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,995	5,410
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,406)	(2,176)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(986)	(1,613)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(139)	(157)

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,464</b>	<b>1,464</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,464	3,995
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,464</b>	<b>3,995</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

189

-

Directors salaries and fees

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	40
9.2 Product manufacturing and operating costs	680
9.3 Advertising and marketing	-
9.4 Leased assets	200
9.5 Staff costs	260
9.6 Administration and corporate costs	350
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>1,530</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	Australian Tyre Processors Pty Ltd	N/A
10.2 Place of incorporation or registration	Queensland, Australia	
10.3 Consideration for acquisition or disposal	\$150,000 additional cash payment on satisfaction of condition subsequent. Refer announcement 15 April 2019	
10.4 Total net assets	(\$22,323)	
10.5 Nature of business	Collection and processing of waste tyres	

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### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(DIRECTOR)

Date: 31 January 2020

Print name: Gary Foster

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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