PEARL GLOBAL

CLEAN CONVERSION TECHNOLOGIES

and its controlled entities

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

ABN 90 118 710 508

Corporate directory

Current Directors

Gary Foster	*Executive Chairman*
Andrew Drennan	*Managing Director*
Michael Barrett	*Non-executive Director*
Brad Mytton	*Non-executive Director*

Company Secretary

Phillip MacLeod

Registered /Business Office

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WILLETTON WA 6155

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Facsimile: +61 (0)8 9463 1426
Website: www.pearl-global.com.au

Share Registry

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Street: Level 11, 172 St Georges Terrace
PERTH WA 6000

Telephone: 1300 850 505 or +61 3 9415 4000
Website: www.computershare.com.au

Auditors

Grant Thornton Audit Pty Ltd
Central Park
Level 43, 152-158 St Georges Terrace
PERTH WA 6000

Securities Exchange

Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000

Telephone:	131 ASX (131 279) (within Australia)
Telephone:	+61 (0)2 9338 0000
Facsimile:	+61 (0)2 9227 0885
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ASX Code	PG1
Listed options	PG1OB

Contents

Results for Announcement to the Market

for the half-year ended 31 December 2019

1 REPORTING PERIOD (item 1)

■ Report for the period ended:	31 December 2019
■ Previous corresponding period is half-year ended:	31 December 2018

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Movement	Percentage %		Amount $
■ Revenues from ordinary activities	Increase	4,431.84	to	1,092,943
■ Loss from ordinary activities after tax attributable to members	Decrease in Profit	32.81	to	(3,165,746)
■ Loss from after tax attributable to members	Decrease in Profit	32.81	to	(3,165,746)

a. Dividends

	Amount per Security ¢	Franked amount per security %
■ Interim dividend	nil	n/a
■ Final dividend	nil	n/a

■ Record date for determining entitlements to the dividend n/a

b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

1. Revenue represents collection fees for ELTs, sales of tyre-derived oil, steel, and interest earned.

3 DIVIDENDS AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS

Nil.

a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

Not applicable

4 RATIOS

	Current period	Previous corresponding period
a. Financial Information relating to 4b:	$	$
Earnings for the period attributable to owners of the parent	(3,165,746)	(2,383,731)
Net assets	6,582,321	9,587,047
Less: Intangible assets and right-of-use assets	(4,603,707)	(893,750)
Net tangible (liabilities)/assets	1,978,614	8,693,297
	No.	No.
Fully paid ordinary shares	200,953,880	199,453,880
	¢	¢
b. Net tangible (liability)/assets backing per share (cents):	0.985	4.359

Results for Announcement to the Market

for the half-year ended 31 December 2019

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)

a. Control gained over entities

■ Name of entities	Australian Tyre Processors Pty Ltd ("**ATP**")
■ Date(s) of gain of control	15 August 2019

b. Loss of control of entities

■ Name of entities	Nil
■ Date(s) of loss of control	n/a
c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost.	($205,462)
d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period	($127,802)

6 DETAILS OF ASSOCIATES AND JOINT VENTURES:

■ Name of entities	Nil
■ Percentage holding in each of these entities	N/A

	Current period	Previous corresponding period
■ Aggregate share of profits (losses) of these entities	N/A	N/A

7 The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.

8 The financial statements were subject to a review by the auditors and the review report is attached as part of the half-year report

Directors' report

Your directors present their report on the consolidated entity, consisting of Pearl Global Limited (**Pearl** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2019.

1. Directors

The names of Directors in office at any time during or since the end of the half-year are:

■ Mr Gary Foster	Executive Chairman
■ Mr Andrew Drennan	Executive Director
■ Mr Victor Turco	Non-executive Director (resigned on 29 November 2019)
■ Mr Michael Barrett	Non-executive Director *(appointed on 6 August 2018)*
■ Mr Brad Mytton	Non-executive Director *(appointed on 12 June 2019)*

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

2. Operating and financial review

2.1. Operations review

The Directors of Pearl Global Limited are pleased to provide the review of operations for the half year ending 31 December 2019.

Pearl is a revolutionary industrial technology company, focussed on regenerating resources to achieve the multiple benefits of "best of breed" environmental outcomes from waste streams (target net zero emissions), economic benefit for shareholders and designed to deliver profit. Our thermal desorption process provides the opportunity to overhaul and completely disrupt the current waste tyre supply chain processes in entirety which requires a proactive and integrated approach. Pearl is the only EPA licensed company that is operating commercially.

During the period Pearl continued to successfully ramp up its operations, processing in excess of 2000 tonnes of waste tyres. The previous six-month period the Group processed 980 tonnes, as indicated in Chart 1 below, showing over an 50% growth in production. Pearl continued to independently monitor its air emissions. On all occasions, the Group was significantly below the allowable emission limits, which is key to the process and gives the Group a significant first to market advantage.

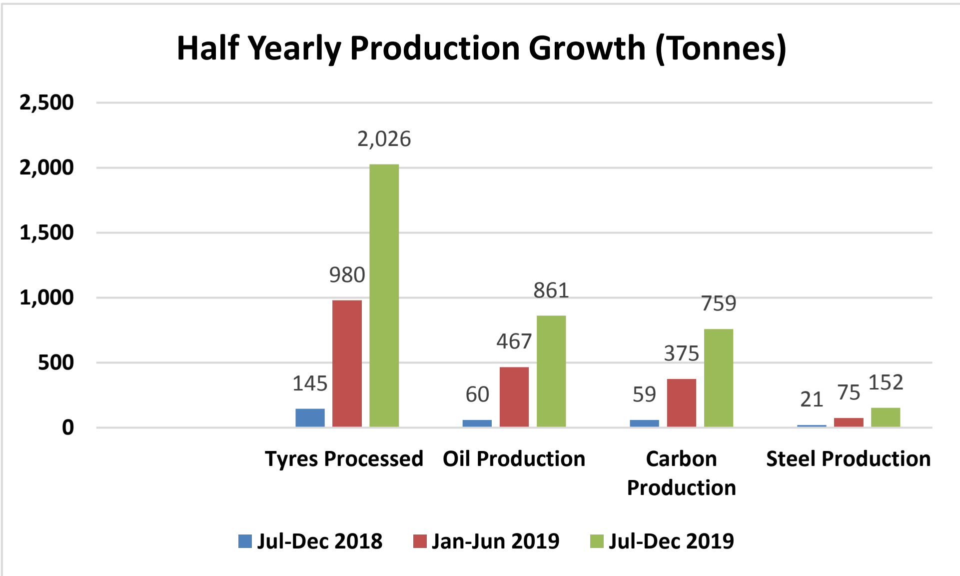

Chart 1: Source – Company

Reinforcing Pearl's environmental and social benefits to greenhouse gas emissions (GHG), a technical investigation on Pearl's lifecycle greenhouse gas emission reductions by RPS, demonstrated that for every 1 tonne of tyres processed in Pearl's facility, around 430-540kg CO_2-e is reduced making the way for Pearl to pursue carbon credits.

Pearl continued to add value to its relationship with the Queensland Government by securing a grant for its Waste to Energy generation project. Pearl was the first business to be successful in a grant application from the Queensland Government's Waste to Biofutures program. The Group secured a $250,000 grant to implement stage 1 of its waste to energy plan, which will convert existing waste gas to power.

Directors' report

The Group settled on its acquisition of Australian Tyre Processors Pty Ltd (ATP), and successfully integrated the two operations. Currently ATP is located approximately 10km from Pearl's processing facility, but with the addition of an expanded lease area, ATP will be relocated on the same site as Pearl in the coming months.

As indicated in Chart 2, cash receipts grew to $783,000 from July1 to the 31 December 2019. This was a healthy increase over the previous half year which recorded $107,000.

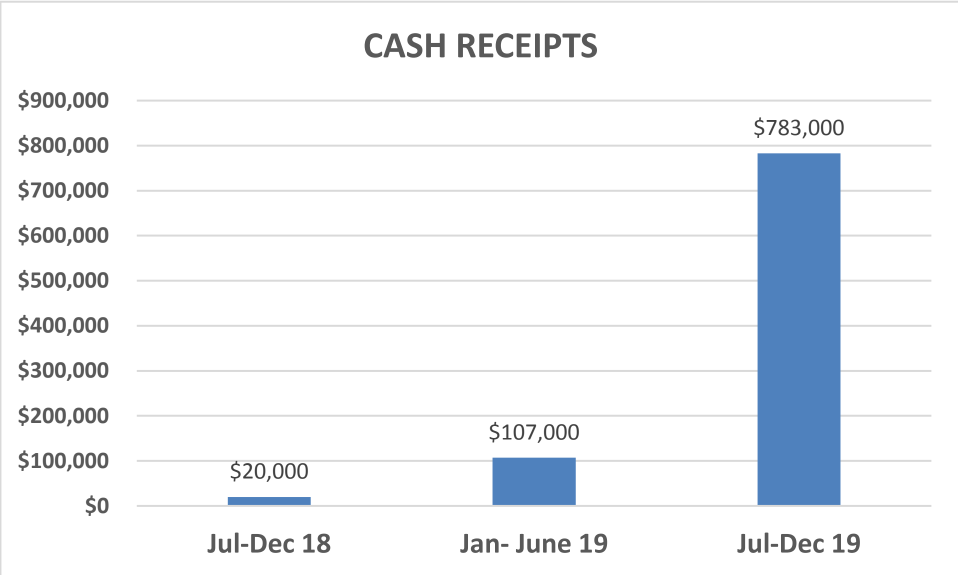

Chart 2: Source – Company

The increase in cash received reflected increased product sales to overseas markets. Typically, the payment cycle from overseas customers requires accepting longer payment terms than if selling domestically. Therefore, during -the period, the Company actively sought domestic customers for its products. On the 31st January 2020, Pearl announced that it had agreed key terms and pricing for 100% of its fuel and carbon offtakes with a domestic buyer. The parties are now in advanced stages of completing a binding agreement which is for a 5-year period.

Pearl placed an order for its third thermal desorption unit in October 2019. Completion of the third TDU is expected to be completed by March 2020, with commissioning to commence in the June quarter. The third thermal desorption unit will provide a significant increase to production. Further, built-in design improvements are expected to result in an increase in long term reliability and production volume of the third unit is anticipated. Upon successful confirmation of these design changes, Units 1 and 2 can be retrofitted to assist in production gains per unit.

Over the last 12 months staff costs and Directors salaries have remained relatively flat averaging $323,750 (last quarter $333,000). Similarly, administration and corporate costs have averaged $326,000 per quarter for the last 12 months (last quarter $354,000). Product manufacturing and operating costs rose during the period due to the Group reporting for the first time, costs associated with ATP and payment of manufacturing improvements to thermal desorption units which had the benefit of increased production. Major one-off payments included the deposit for TDU3 of $640,000, one off environmental testing of $175,000 for Stapylton (perimeter monitoring), and milestone payments for the acquisition of ATP and related costs of $150,000.

To ensure the continued growth of the business, funding alternatives are being actively considered and Pearl is in discussions with various parties.

Pearl will continue to apply its unique, next generation technology to cleanly convert Australia's waste tyre stream into high value products and increase its sales. It will continue to pursue its near-term goal of converting its clean gases into electrical energy (Waste to Energy) for its own use initially and then becoming a potential supplier (behind the grid) of energy to the commercial markets.

Pearl remains the only entity in Australia with industrial technology that has received EPA approval to operate and that is commercially operating. The group will remain focussed on increasing its revenues from the multiple channels available to it whilst enhancing its product offering. Pearl is actively exploring national and international expansion opportunities and possible joint venture partners as part of its expansion strategy.

Directors' report

2.2. Financial Review

a. Operating results

For the half-year ended 31 December 2019 the Group delivered a loss before tax of $3,165,746 (31 December 2018: $2,383,731 loss), representing a decrease in profitability which was expected due to the Company being in the commercialisation stage.

b. Financial position

The net assets of the Group have decreased from 30 June 2018 by $3,004,726 to $6,582,321 at 31 December 2019 (30 June 2019: $9,587,047).

As at 31 December 2019, the Group's cash and cash equivalents decreased from 30 June 2019 by $4,169,516 to $1,240,684 (30 June 2018: $5,410,200) and had working capital of $791,798 (30 June 2019: $5,526,908 working capital).

2.3. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 15 Events subsequent to reporting date.

3. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2019 has been received and can be found on page 5 of the annual report.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001* (Cth).

ANDREW DRENNAN
Executive Director
Dated this Friday, 28 February 2020

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Auditor's Independence Declaration

To the Directors of Pearl Global Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Pearl Global Limited for the period ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 28 February 2020

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Revenue	4	1,092,943	24,117
Other income	4	52,999	21,866
		1,145,942	45,983
Operating expenses		(1,708,395)	(952,815)
Depreciation and amortisation		(576,413)	(103,125)
Employee benefit expense		(718,807)	(504,230)
Finance costs		(22,090)	-
Other expenses		(1,015,165)	(869,544)
Loss before tax		(2,894,928)	(2,383,731)
Income tax expense		(270,818)	-
Loss for the half-year		(3,165,746)	(2,383,731)
Other comprehensive income, net of income tax			
Other comprehensive income		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss attributable to members of the parent entity		(3,165,746)	(2,383,731)
Loss per share attributable to the owners of Citation Resources Ltd			
Earnings per share:		¢	¢
Basic and diluted loss per share (cents per share)	5	(1.58)	(1.65)

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

as at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents		1,240,684	5,410,200
Trade and other receivables	6	832,850	592,745
Other current assets		358,790	97,680
Total current assets		2,432,324	6,100,625
Non-current assets			
Trade and other receivables	6	-	142,862
Plant and equipment	7	3,612,504	2,074,740
Development assets	8	2,095,642	2,095,642
Other Intangible assets	9	1,507,092	893,750
Right-of-use asset	10	3,096,615	-
Other non-current assets		672	-
Total non-current assets		10,312,525	5,206,994
Total assets		12,744,849	11,307,619
Current liabilities			
Trade and other payables	11	617,124	433,102
Provisions		178,285	140,615
Borrowings	12a	289,439	-
Leases	13a	555,678	-
Total current liabilities		1,640,526	573,717
Non-current liabilities			
Borrowings	12b	519,445	-
Leases	13b	2,574,716	-
Deferred tax		1,427,841	1,146,855
Total non-current liabilities		4,522,002	1,146,855
Total liabilities		6,162,528	1,720,572
Net assets		6,582,321	9,587,047
Equity			
Issued capital	14	19,468,854	19,303,854
Reserves		4,609,986	4,609,986
Accumulated losses		(17,496,519)	(14,326,793)
Total equity		6,582,321	9,587,047

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2019

	Note	Issued Capital $	Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2018 (restated)		12,156,494	4,607,713	(9,616,739)	7,147,468
Loss for the half-year attributable owners of the parent		-	-	(2,383,731)	(2,383,731)
Other comprehensive income for the period attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	-	(2,383,731)	(2,383,731)
Transaction with owners, directly in equity					
Shares issued during the half-year		80,500	-	-	80,500
Share issue costs		(80,500)	-	-	(80,500)
Options granted during the year		-	-	-	-
Options exercised or expired during the year		-	-	-	-
Balance at 31 December 2018		12,156,494	4,607,713	(12,000,470)	4,763,737
Balance at 1 July 2019		19,303,854	4,609,986	(14,326,793)	9,587,047
Cumulative adjustment upon adoption of AASB 16				(3,980)	(3,980)
Balance at 1 July 2019 (restated)		19,303,854	4,609,986	(14,330,773)	9,583,067
Loss for the half-year attributable owners of the parent		-	-	(3,165,746)	(3,165,746)
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	-	(3,165,746)	(3,165,746)
Transaction with owners, directly in equity					
Shares issued during the half-year (net of costs)	2i	165,000	-	-	165,000
Options granted during the year		-	-	-	-
Balance at 31 December 2019		19,468,854	4,609,986	(17,496,519)	6,582,321

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2019

	Note	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Receipts from customers		780,905	19,514
Payments to suppliers and employees		(3,610,862)	(2,036,599)
Tax refund from research and development		411,687	722,351
Income tax received		10,168	-
Interest received		3,265	2,824
Interest paid		(22,090)	-
Net cash used in operating activities		(2,426,927)	(1,291,910)
Cash flows from investing activities			
Purchase of plant and equipment		(1,161,974)	(21,622)
Deposits and bonds		(110,804)	-
Investment in subsidiary net of cash acquired	2i	(427,869)	-
Payments for development asset		-	(439,178)
Net cash used in investing activities		(1,700,647)	(460,800)
Cash flows from financing activities			
Net proceeds from third party borrowings		20,928	-
Repayments of lease principal		(62,870)	-
Net cash provided by financing activities		(41,942)	-
Net decrease in cash held		(4,169,516)	(1,752,710)
Cash and cash equivalents at the beginning of the half-year		5,410,200	2,727,435
Cash and cash equivalents at the end of the half-year		1,240,684	974,725

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Note 1 Statement of significant accounting policies

These are the condensed consolidated financial statements and notes of Pearl Global Limited (**Pearl** or **the Company**) and controlled entities (collectively **the Group**). Pearl is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue on 28 February 2020 by the directors of the Company.

a. Basis of preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Pearl Global Limited and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made during the half-year.

i. Statement of compliance

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

ii. New standards adopted as at 1 July 2019

The Group has adopted the new accounting pronouncements which have become effective this half-year, and are as follows:

AASB 16 *Leases*

AASB 16 *Leases* replaces AASB 117 *Leases* along with three Interpretations (AASB 1048 *Determining whether an Arrangement contains a Lease*, AASB 115 *Operating Leases-Incentives* and AASB 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and AASB 1048 and has not applied AASB 16 to arrangements that were previously not identified as lease under AASB 117 and AASB 1048.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 5%.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

Total operating lease commitments disclosed at 30 June 2019	432,736
Recognition exemptions:	
▪ Leases of low value assets	-
▪ Leases with remaining lease terms of less than 12 months	(154,555)
Variable lease payments not recognised	-
Other minor adjustments relating to commitment disclosures	-
Operating lease liabilities before discounting	278,181
Discounted using incremental borrowing rate	(19,536)
Reasonably certain extension options	-
Finance lease obligations	-
Total Lease liabilities recognised under AASB 16 at 1 July 2019	**258,645**

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2018

Note 1 Statement of significant accounting policies

iii. Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the half-year of $3,165,746 (31 December 2018: $2,383,731 loss) and a net operating cash out-flow of $2,426,927 (31 December 2018: $1,291,910 out-flow).

The Group is increasing sales of its hydrocarbon product and its continuing to advance discussions for the sale of its steel and char products. The Group has committed to the purchase of a third Thermal Desorption Unit which will increase production of products by 50% over current levels.

In addition, the Group will rely on the ability to secure funds by raising capital from equity markets and managing cash flow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern. In the event the above matters are not achieved, the Group will be required to raise funds for working capital from debt or equity sources.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

iv. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1d.

b. Accounting Policies

The Group has consistently applied the accounting policies adopted in the Group's most recent annual financial statements for the year ended 30 June 2019, except for the effects of applying AASB 16.

c. New and Amended Standards Adopted by the Group

i. Leases

A number of new or amended standards become applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 *Leases*.

The Group has adopted AASB16 *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2019 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 *Leases* where the Group is a lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

Note 1 Statement of significant accounting policies

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied
- Leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate
- Applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117

The Group's weighted average lessee's incremental borrowing rate 5.00%.

The group's lease portfolio includes buildings. These leases have an average term of 4 years.

AASB16 related amounts recognise right-of-use assets relate to the following type of assets:

	31 December 2019 $
Right-of-use assets	
Leased buildings	3,232,392
Less: accumulated depreciation	(135,777)
	3,096,615

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial directs costs; and

restoration costs

The Group as a lessor

The Group's accounting policy under AASB 16 has not changed from the comparative period.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental.

The Group as a lessee

Operating leases

All leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group as a lessor

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

d. Critical Accounting Estimates and Judgments

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019.

Note 2 Business combinations

Australian Tyre Processors Pty Ltd

On 15 August 2019, Pearl Global Limited, acquired 100% of the ordinary share capital and voting rights of ATP. This transaction constitutes a business combination under AASB 3. The initial accounting for the acquisition of ATP has only been provisionally determined at the half-year ended. At the date of this interim financial statements, the necessary identification and fair value assessment of the separately identifiable intangible assets acquired have not been finalised and they have therefore only been provisionally determined and group together as an intangible asset.

i. **Acquisition consideration**

The fair value of the consideration for the issued capital of ATP was $765,000. Details as follows:

ii. **Goodwill**

The identifiable net assets of the acquiree are remeasured to their fair value on the date of acquisition (i.e. the date that control passes) . Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the acquired. Details of the transactions are as follows:

	Fair value $
Fair value of consideration transferred	
Cash consideration	300,000
1,500,000 shares at $0.11 per share	165,000
Cash consideration subject to Milestone 1 being met[1]	150,000
Cash consideration subject to Milestone 2 being met[2]	150,000
	765,000

[1]We note that Milestone 1 was subject to be met by 27 September 2019. This condition was satisfied and paid to the Shareholder of ATP.

[2]We note that Milestone 2 was subject to be met by 27 December 2019. This condition was satisfied and paid to the Shareholder of ATP after 31 December 2019. It was agreed that the loan in ATP owing to M Carroll of $35,379 be offset against cash consideration of $150,000. Management assessed that as at date of acquisition, it was 100% probable that Milestone 2 would be met.

Fair value of identifiable assets and liabilities held at acquisition date:	
Cash	22,131
Trade and other receivables	128,410
Fixed assets	756,408
Other assets	53,242
Trade and other payables	(159,081)
Borrowings	(752,577)
Fair value of identifiable assets and liabilities assumed	48,533
Provisional goodwill on acquisition of ATP	716,467
Purchase consideration settled in cash	600,000
Cash acquired on acquisition	(22,131)
Net cash outflow on acquisition	577,869

Note 3 Operating segments

a. **Identification of reportable segments**

The Group identifies its operating segment based on the reports reviewed by the board of directors that are used to make strategic decisions. The Group only had the Stapylton facility as its operating site.

During the six month period to 31 December 2019 there has been no changes from prior periods in measurement methods used to determine operating segments and reported segment profit or loss.

b. Segment Performance

Half-Year ended 31 December 2019	Stapylton $	Corporate $	Total $
Sales to external customers	1,089,679	-	1,089,679
Other revenue	34,453	21,810	56,263
Total segment revenue	1,124,132	21,810	1,145,942
Results			
Segment results	(2,973,898)	(1,337,790)	(4,311,688)
Total segment results	(2,973,898)	(1,337,790)	(4,311,688)

Half-Year ended 31 December 2018	Stapylton $	Corporate $	Total $
Sales to external customers	24,117	-	24,117
Other revenue		21,866	21,866
Segment revenue	24,117	21,866	45,983
Results			
Segment results	(1,577,161)	(852,553)	(2,429,714)
Total segment results	(2,383,731)	(2,383,731)	(2,383,731)

a. **Segment Assets and Liabilities**

As at 31 December 2019	Stapylton $	Corporate $	Total $
Total Assets as per the condensed consolidated financial position	11,806,185	938,664	12,744,849
Total Liabilities as per the condensed consolidated financial position	5,682,104	480,424	6,162,528

Note 3 Operating segments (cont.)

As at 30 June 2019	Stapylton $	Corporate $	Total $
Total Assets as per the condensed consolidated financial position	5,597,182	602,055	6,199,237
Total Liabilities as per the condensed consolidated financial position	1,006,694	59,287	1,065,981

Note 4 Revenue and other income

	31 December 2019 $	31 December 2018 $
a. **Revenue**		
Revenue	1,092,943	24,117
	1,092,943	24,117
b. **Other Income**		
Interest income	3,189	2,824
Other income	49,810	19,042
	52,999	21,866

The Group's revenue disaggregated by primary geographical markets is as follows:

Six months to 31 December 2019	Stapylton $	Corporate $	Total $
Australia (Domicile)	1,124,132	21,810	1,145,942
Other countries	-	-	-
Total	1,124,132	21,810	1,145,942

Six months to 31 December 2018	Stapylton $	Corporate $	Total $
Australia (Domicile)	24,117	21,866	45,983
Other countries	-	-	-
Total	24,117	21,866	45,983

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

Six months to 31 December 2019	Stapylton $	Corporate $	Total $
Goods transferred at a point in time	1,124,132	21,810	1,145,942
Services transferred over time	-	-	-
Total	1,124,132	21,810	1,145,942

Six months to 31 December 2018	Stapylton $	Corporate $	Total $
Goods transferred at a point in time	24,117	21,866	45,983
Services transferred over time	-	-	-
Total	24,117	21,866	45,983

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2019

Note 5 Earnings per share (EPS)

	Note	31 December 2019 $	31 December 2018 $
a. **Reconciliation of earnings to profit or loss**			
Loss for the half-year		(3,165,746)	(2,383,731)
Loss used in the calculation of basic and diluted EPS		(3,165,746)	(2,383,731)

	31 December 2019 No.	31 December 2018 No.
b. **Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**	200,578,880	145,180,484

c. **Earnings per share**	Note	31 December 2019 ¢	31 December 2018 ¢
Basic and diluted EPS (cents per share)	5d	(1.58)	(1.65)

d. As at 31 December 2019 the Group has 74,455,933 unissued shares under options (31 December 2018: 74,455,933). The Group does not report diluted earnings per share on losses generated by the Group. During the half-year ended 31 December 2019 the Group's unissued shares under option were anti-dilutive.

Note 6 Trade and other receivables

	31 December 2019 $	30 June 2019 $
a. **Current**		
Trade and other receivables	669,642	82,921
GST refundable	20,346	98,140
R & D tax benefit receivable	142,862	411,684
	832,850	592,745
b. **Non-current**		
R & D tax benefit refundable	-	142,862
	-	142,862

Note 7 Plant and equipment

	31 December 2019 $	30 June 2019 $
a. **Non-current**		
Plant and equipment at cost	5,008,226	2,887,265
Less: accumulated depreciation	(1,419,061)	(835,997)
	3,589,165	2,051,268
Other equipment at cost	79,899	76,229
Less: accumulated depreciation	(56,560)	(52,757)
	23,339	23,472
Total plant and equipment	3,612,504	2,074,740

Note 7 Plant and equipment (cont.)

	Plant and equipment $	Other equipment $	Total $
b. **Movements**			
Balance at 1 July 2018	2,406,539	18,776	2,425,315
Additions	11,706	14,756	26,462
Disposals	-	-	-
Depreciation expense	(366,977)	(10,060)	(377,037)
Carrying amount at 30 June 2019	2,051,268	23,472	2,074,740
Balance at 1 July 2019	2,051,268	23,472	2,074,740
Assets acquired through combination	723,882	-	723,882
Additions	1,158,304	3,670	1,161,974
Disposals	-	-	-
Depreciation expense	(376,814)	(3,804)	(380,618)
Carrying amount at 31 December 2019	3,556,640	23,338	3,579,978

Note 8 Development assets

	31 December 2019 $	30 June 2019 $
a. Non-current		
Development assets at cost	2,095,642	2,095,642
Less: accumulated depreciation	-	-
Total development assets	2,095,642	2,095,642
b. Movements		
Balance at the beginning of the year	2,095,642	1,205,570
Additions	-	890,072
Depreciation	-	-
Balance at the end of the year	2,095,642	2,095,642

Note 9 Other Intangible asset

		31 December 2019 $	30 June 2019 $
a. Non-current			
Patents at cost		1,650,000	1,650,000
Less: accumulated amortisation		(859,375)	(756,250)
		790,625	893,750
Goodwill	9ai	716,467	-
Less: accumulated amortisation		-	-
		716,467	-
Total other intangible assets		1,507,092	893,750

i. Goodwill has been provisionally accounted for in relation to the acquisition of ATP. See note 2i Business combinations for further detail.

Note 9 Other Intangible asset (cont.)

	Patents $	Goodwill $	Total $
b. Movements			
Balance at the 1 July 2018	1,100,000	-	1,100,000
Additions	-	-	-
Amortisation	(206,250)	-	(206,250)
Balance at 30 June 2019	893,750	-	893,750
Balance at 1 July 2019	893,750	-	893,750
Additions	-	716,467	716,467
Amortisation	(103,125)	-	(103,125)
Balance at the end of the year	790,625	716,467	1,507,092

Note 10 Right-of-use-asset

	31 December 2019 $	30 June 2019 $
Buildings	3,232,392	-
Less: accumulated depreciation	(135,777)	-
	3,096,615	-

Note 11 Trade and other payables

	Note	31 December 2019 $	30 June 2019 $
a. **Current**			
Unsecured			
Trade payables		417,470	370,910
PAYG payable		47,737	37,764
Other payables		37,296	24,428
Amount owed to shareholder of ATP	2i	114,621	-
		617,124	433,102

Note 12 Borrowings

	Note	31 December 2019 $	30 June 2019 $
a. **Current**			
Premium funding		105,696	-
Hire purchase liability – Tyre Shredder		183,743	-
		289,439	-
b. **Non-current**			
Loan – Mick Carroll	12b.i	35,379	-
Hire purchase liability – Tyre Shredder		484,066	-
		519,445	-

i. The loan owing to Mick Carroll as at 31 December 2019 of $35,379 is on an interest free arrangement with the amount to be offset in full against the payment of Milestone 2. See note 2i Business combinations for further detail.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2019

Note 13 Leasing	31 December 2019 $	30 June 2019 $
a. **Current**		
Lease liabilities	555,678	-
b. **Non-current**		
Lease liabilities	2,574,716	-

c. **Lease commitments**

The Group has leases for warehouse and related facilities and office buildings. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

As at 31 December 2019	Within one year $	One to five years $	After five years $	Total $
Lease payments	697,083	2,838,974	-	3,536,057
Finance charges	(141,405)	(264,258)	-	(405,663)
Net present values	555,678	2,574,716	-	3,130,394

d. **Lease payments not recognised as a liability**

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.
The expense relating to payments not included in the measurement of a lease liability is as follows:

	31 December 2019 $
Short-term leases	154,555
	154,555

Note 14 Issued capital	Note	31 December 2019 No.	30 June 2019 No.	31 December 2019 $	30 June 2019 $
Fully paid ordinary shares at no par value		200,953,880	199,453,880	19,468,854	19,472,494
a. **Ordinary shares**		6 months to 31 December 2019 No.	12 months to 30 June 2019 No.	6 months to 31 December 2019 $	12 months to 30 June 2019 $
At the beginning of the period		199,453,880	144,830,484	19,303,854	12,156,494
Shares issued during the year:					
■ Consideration for services at $0.23		-	350,000	-	80,500
■ Private placement at $0.15		-	10,199,997	-	1,530,000
■ Share purchase plan at $0.15		-	2,686,656	-	403,000
■ Private placement at $0.127		-	39,370,078	-	5,000,000
■ Settlement of loan at $0.15		-	666,666	-	100,000
■ Private placement at $0.15		-	1,349,999	-	202,500
■ Consideration shares issued at $0.11 as part of acquisition of ATP	2i	1,500,000	-	165,000	-
Transaction costs relating to share issues		-	-	-	(168,640)
At reporting date		200,953,880	199,453,880	19,468,854	19,303,854

Note 14 Issued capital (cont.)

	31 December 2019 No.	30 June 2019 No.	31 December 2019 $	30 June 2019 $
b. **Options**				
Options	74,455,933	74,455,933	4,609,986	4,609,986
At the beginning of the period	74,455,933	45,319,238	4,609,986	4,607,713
Options issued/(lapsed) during the year:				
■ Issued as remuneration	-	2,000,000	-	2,273
■ Private placement at $0.15	-	5,100,007	-	-
■ Share purchase plan at $0.15	-	1,343,315	-	-
■ Private placement at $0.127	-	19,685,039	-	-
■ Settlement of loan at $0.15	-	333,333	-	-
■ Private placement at $0.15	-	675,001	-	-
At reporting date	74,455,933	74,455,933	4,609,986	4,609,986

Note 15 Events subsequent to reporting date

There are were no events which occurred subsequent to reporting date.

Note 16 Contingent liabilities

No other contingent liabilities other than what was disclosed as at 31 December 2019.

Directors' declaration

The Directors of the Group declare that:

1. The condensed financial statements and notes, as set out on pages 6 to 20, are in accordance with the *Corporations Act* 2001 (Cth) and:

   (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and

   (b) give a true and fair view of the financial position as at 31 December 2019 and of the performance for the half-year ended on that date of the Group.

2. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s303(5) of the *Corporations Act 2001* (Cth) and is signed for and on behalf of the directors by:

ANDREW DRENNAN
Executive Director
Dated this Friday, 28 February 2020

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Independent Auditor's Report

To the Members of Pearl Global Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Pearl Global Limited the (Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Pearl Global Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $3,165,746 during the half year ended 31 December 2019 and, as of that date, the Group reported an operating cash outflows of $2,426,927. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pearl Global Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 28 February 2020