
QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Continued increase in cash receipts from \$543,000 to \$634,000 for the quarter despite current global market conditions and lower production
- Pearl signed 5-year supply agreement for up to 10,000 tonnes of fuels and 7,000 tonnes of carbon per annum with Asphalt manufacturer Aussee Road Services Pty Ltd.
- Capital raising of \$2.1m completed
- Head office relocation to Queensland completed
- Appointment of Chief Financial Officer, Mr. Doug Swanborough MBA, FIFA, FFA
- Pearl continued operations through Covid-19

30 April 2020

Pearl Global Limited (**Pearl or the Company**) (ASX:PG1) provides an operations update and Appendix 4C to shareholders for the quarter ended 31 March 2020.

Commentary on Operations and Appendix 4C

Increase in customer receipts

There was continued growth in customer receipts from \$543,000 to \$634,000 for the quarter. Chart 1 below illustrates the upward growth profile of receipts over the last 18 months. Income increased from fuel sales to overseas markets and income from the collection of used tyres was as expected.

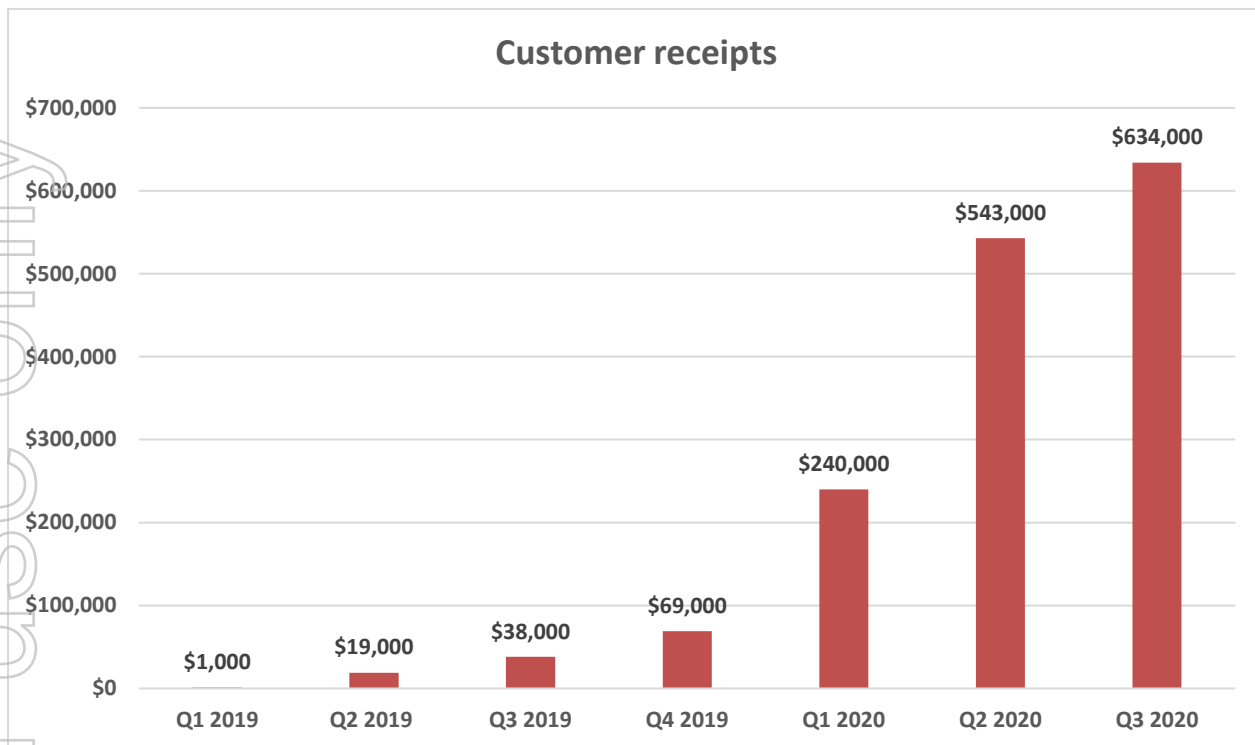


Chart 1: Growth in Customer receipts (Source: Company)

Production volume lower

The Company cleanly converted 632 tonnes of tyres during the period, compared to 1,169 tonnes in the previous quarter. The reduction in volumes was caused by several factors, specifically:

- Downtime during the planned relocation of its collection and shredding operations to the Company's central site in Stapylton.
- Seasonal rainfall in excess of 1 metre. The Bureau of Meteorology reported in excess of 1000mm of rainfall within the Gold Coast seaway region for the months of January and February. This slowed the collection and shredding operations as pre-processing for Pearl production takes place in an open environment. The seasonal rainfall also impacted tonnes processed as only dry tyres can be treated in the thermal desorption process.
- Downtime at the facility due to preparation for expansion with the addition of a third desorption unit (TDU3), including training of new operators, implementation of improved operator safety procedures and improvement in process and materials handling.

Since the end of the March quarter, production volumes have improved as expected.

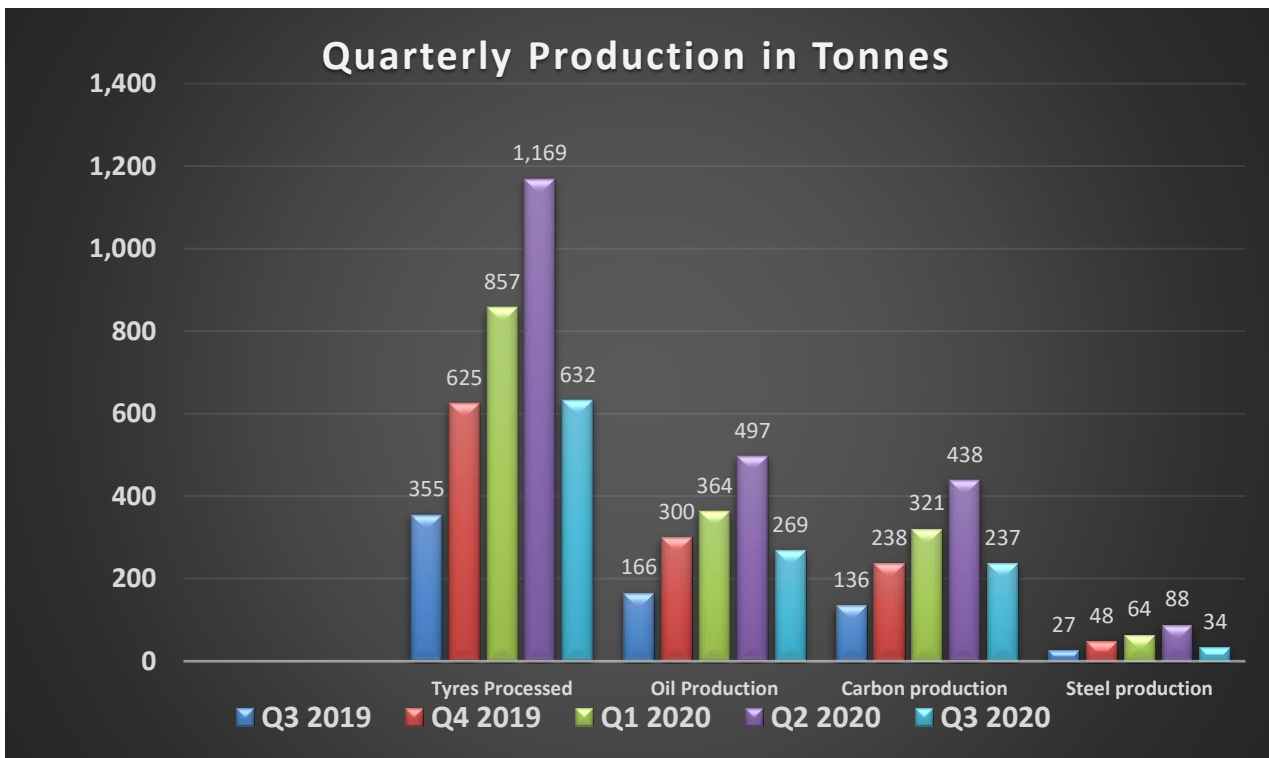


Chart 2: Quarterly production at Pearls Queensland facility (Source: Company)

Supply agreement signed with local asphalt manufacturer, Aussee Road Services Pty Ltd

During the quarter, Pearl finalized a 5-year agreement with Aussee Road Services for the sale of up to 100% of its production from its Stapylton facility (refer announcement 2 April 2020). Following a maximum 3-month due diligence period and the completion of the commissioning phase of the nearby Aussee asphalt plant using Pearl fuels, the Company will supply Aussee with up to 10,000 tonnes of raw fuels and up to 7,000 tonnes of carbon char per annum for its asphalt production operations.

Capital raising of \$2.1 million completed

The Company raised \$2.1 million in a placement to sophisticated and professional investors at a price of 8.5 cents per share. The funds were raised to support part of the growth required to increase production in line with Pearl's planned commitment to maximise production at its Stapylton facility.

Relocation of head office to Stapylton, Queensland completed

The relocation of Pearl's corporate office to the Stapylton site in Queensland was completed in January 2020. Executive directors, Mr Drennan and Mr Foster, also relocated to Queensland to better oversee operations and drive the business and its plans for expansion.

Appointment of Chief Financial Officer – Mr. Doug Swanborough

With the relocation of head office to Queensland, Pearl retained the services of Mr. Doug Swanborough as Chief Financial Officer. Mr Swanborough has held CFO positions with both public and private companies covering governance, risk management and compliance, financial analysis and modeling and strategic planning and implementation.

Doug holds a Master of Business Administration and is a Fellow of the Institute of Public Accountants (FIPA) and a Fellow of the Institute of Financial Accountants (FFA, U.K.).

Update on global market conditions

Since the end of the March quarter, Pearl's production volumes have improved as anticipated. However, given the current global outlook resulting from the Covid-19 pandemic, all businesses, including Pearl, are operating in an uncertain and unpredictable market environment. The Company has seen a slowing in used tyre collections and, given current sales of fuels are to export markets, product sales are dependent on the market conditions and outlook of each jurisdiction's economy.

On the 31st March 2020, the Company released an update on Covid-19 impacts to the business. These impacts can now be updated as follows:

- A delay in the delivery of components from China for the completion of TDU3:
 - All components have been delivered and it is expected that the commissioning process of TDU3 will begin in the coming two weeks.
- Tyre collections are slowing:
 - ATP has been working diligently to source a balance of retail and industrial tyre collections and it is expected that any drop in collections should be minimized.
- Management and operations staff:
 - No cases of Covid-19 has been reported within the Company and the effects of the Covid-19 restrictions are being managed to reduce the impact on operations.

An additional area where the effects of Covid-19 have affected Pearl's business is in relation to financing equipment and the required bank guarantees. Banks have taken a more circumspect approach toward providing finance and what they require as security for that financing. Whilst Pearl is fortunate to have a good relationship with, and the support of its bank, financing for equipment that would have readily been granted in the past has become harder to obtain. As a result, the Company is examining alternative financing arrangements for the purchase of equipment.

Summary

Whilst the current global outlook remains uncertain, the Company's strategy has shifted from being completely dependent on selling to overseas markets for its product sales, to now focusing on supplying the domestic market. This provides for greater certainty for supply and pricing and the opportunity for the Company to replace the use of virgin resources with recycled alternatives within Australia.

Further, the Company will begin commissioning of its third TDU in the coming weeks, which will provide higher production volumes and increased revenues.

The March 2020 quarterly Appendix 4C follows. The description of payments to related parties of the entity and their associates set out in section 6.1 of the Appendix 4C are:

Non-executive director fees	\$11,250
Executive director fees/salaries	\$153,084
	<u>\$164,334</u>

Authorised by:
Gary Foster
Chairman

Further information, please contact:
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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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PEARL GLOBAL LIMITED [ASX:PG1]

ABN

90 118 710 508

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	634	1,415
1.2 Payments for		
(a) research and development	(3)	(78)
(b) product manufacturing and operating costs	(524)	(2,354)
(c) advertising and marketing	-	-
(d) leased assets	(77)	(540)
(e) staff costs	(749)	(1,431)
(f) administration and corporate costs	(134)	(759)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(13)	(35)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	19	441
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(847)	(3,337)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	(428)
(b) businesses	-	-
(c) property, plant and equipment	(81)	(1,242)
(d) investments	-	-

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Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	36	36
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(5)	(116)
2.6	Net cash from / (used in) investing activities	(50)	(1,750)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,183	2,183
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	106
3.6	Repayment of borrowings	(56)	(141)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	2,127	2,148

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,241	5,410
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(847)	(3,337)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(50)	(1,750)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,127	2,148
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	Cash and cash equivalents at end of period	2,474	2,474

As a result of the auditor's review of the consolidated interim financial statements for the half year ended 31 December 2019 (lodged 28 February 2020), the categorisation of year-to-date cash flows and cash and equivalents for the March 2020 quarter appendix 4C have been corrected and amended to be consistent with the reviewed interim financial statements and applicable accounting standards.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,474	1,241
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,474	1,241

Quarterly cash flow report for entities subject to Listing Rule 4.7B

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	164
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-

7.5	Unused financing facilities available at quarter end	-
7.6	N/a	

8. Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(847)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,474
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,474
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.9

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

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Quarterly cash flow report for entities subject to Listing Rule 4.7B

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

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.

Date: 30 April 2020

Authorised by: Gary Foster, Chairman

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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