

PEARL GLOBAL LIMITED

ACN 118 710 508

NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY STATEMENT

For the Extraordinary General Meeting to be held on

31 July 2020 at

10 am (Eastern Standard Time) at

Level 2, Kay House, 35-39 Scarborough Street, Southport, Queensland

This is an important document. Please read it carefully.

In accordance with subsection 5(1)(f) of the Corporations (Coronavirus Economic Response) Determination (No. 1) 2020, the Company will not be dispatching physical copies of this Notice of Meeting. For shareholders that the Company has email addresses on records, the Company will send a copy of this Notice and material relating to the Meeting or provide a link to where the Notice and other material can be viewed or downloaded by email. To the other Shareholders, the Company will send a letter or postcard setting out a URL for viewing or downloading the Notice and other material.

If you are unable to attend the Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.

TIME AND PLACE OF EXTRAORDINARY GENERAL MEETING AND HOW TO VOTE

Venue

The Extraordinary General Meeting of Pearl Global Limited will be held at:

Location

Level 2, Kay House, 35-39 Scarborough Street,
Southport, Queensland

Commencing

at 10 am (Eastern Standard Time)
on 31 July 2020.

The Board has made the decision that it will hold a physical Meeting with the appropriate social gathering and physical distancing measures in place to comply with the Federal Government's and State Government's current restrictions for physical gatherings at the location specified above.

Circumstances relating to COVID-19 are changing rapidly. The Company will update shareholders if changing circumstances will impact planning or the arrangements for the Meeting by way of announcement on ASX and the details will also be made available on our website at www.pearlglobal.com.au.

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Shareholders are encouraged to vote online at www.investorvote.com.au

Alternatively, the attached proxy form can be returned by:

post to: Computershare Investor Services Pty Limited
 GPO Box 242
 Melbourne Vic 3001

or

fax to: 1800 783 447 within Australia or
 +61 3 9473 2555 outside Australia

Your proxy voting instruction must be received by **10.00 am (AEST) on 29 July 2020**, being not less than 48 hours before the commencement of the Meeting. Any proxy voting instructions received after that time will not be valid for the Meeting.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 10am (Eastern Standard Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice as soon as possible and either deliver the proxy form by post, in person, by facsimile or by email in accordance with instructions on the proxy form. You may also submit your proxy vote online at www.investorvote.com.au in accordance with instructions on the proxy form.

Your proxy form must be received not later than 48 hours before the commencement of the Meeting.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. **Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting 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.**
3. The Chairman of the Meeting will vote undirected proxies in favour of all Resolutions.
4. In accordance with Regulation 7.11.37 of the Corporations Regulations, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 29 July 2020 at 7pm(Eastern Standard Time).
5. A proxy form is attached. If required it should be completed, signed and returned to the Company in accordance with the instructions on that form.

PEARL GLOBAL LIMITED

ACN 118 710 508

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Shareholders of Pearl Global Limited will be held at the Level 2, Kay House, 35-39 Scarborough Street, Southport, Queensland on 31 July 2020 at 10am (EST) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

BUSINESS

Resolution 1 – Ratification of prior Issue of Placement Shares (March placement)

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 14,180,237 Shares issued pursuant to Listing Rule 7.1 on the terms and conditions set out in the Explanatory Statement."

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf any person who participated in the issue or an associate of those persons. However, the Company need not disregard a vote if it is cast by:

- 1 a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 2 the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- 3 a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - 3.1 the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - 3.2 the shareholder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2 – Ratification of prior Issue of Breach Shares (March placement)

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

"That, for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders ratify the issue of 11,500,000 Shares on the terms and conditions set out in the Explanatory Statement."

IER

An independent expert report has been commissioned by the Company to opine on whether the transaction (ie the acquisition of the Tranche 2 March Placement Shares by ROC Asset Management) is fair and reasonable (**Transaction**).

The independent expert has concluded that the Transaction was **NOT** fair **but IS** reasonable.

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf Perpetual Corporate Trust Ltd ACF ROC Capital Pty Limited ATF Roc ES Private Equity Trust,) (**ROC Asset Management**) who participated in the issue or an associate of ROC Asset Management.

However, this does not apply to a vote cast in favour of a resolution by:

- 1 a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 2 the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- 3 a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the shareholder to vote in that way

Resolution 3 – Alternative resolution – Buy back of Breach Shares

If Resolution 2 is passed, the Chair will withdraw Resolution 3

If Resolution 2 is not passed, then as an alternative resolution to Resolution 2, to consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, where Resolution 2 as set out in this notice of meeting is not passed, then for the purposes of section 257D(1)(a) of the Corporations Act and for all other purposes, approval is given for the Company to buy-back a total of 11,500,000 Shares held by Perpetual Corporate Trust Ltd ACF ROC Capital Pty Limited ATF Roc ES Private Equity Trust on the terms and conditions for the purpose set out in the explanatory statement accompanying this notice."

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf any person (including Perpetual Corporate Trust Ltd ACF ROC Capital Pty Limited ATF Roc ES Private Equity Trust) who participated in the issue or any of its associates.

However, this does not apply to a vote cast in favour of a resolution by:

- 1 a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 2 the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- 3 a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the shareholder to vote in that way.

Resolution 4 – Ratification of prior issue of Tranche 1 Placement Shares (June placement) issued under LR 7.1

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 4,462,845 Shares on the terms and conditions set out in the Explanatory Statement."

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf any person who participated in the issue or an associate of that person.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 5 – Ratification of prior issue of Tranche 1 Placement Shares (June placement) issued under LR 7.1A

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 20,095,388 Shares on the terms and conditions set out in the Explanatory Statement."

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf any person who participated in the issue or an associate of that person.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6 – Approval of issue of Tranche 2 Placement Shares (June Placement)

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

“That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of up to 46,870,339 Shares at an issue price of \$0.07 on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion

The entity will disregard any votes cast in favour of the resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity); or an associate of that person.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 7 – Participation of Related Party in Tranche 2 Placement Shares (June Placement) – Michael Barrett

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

"That, for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 142,858 Shares to Michael Barrett (or his nominee) on the terms and conditions set out in the Explanatory Statement."

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- Mr Michael Barrett (or his nominee(s) and any other person who will obtain a material benefit as a result of the issue of Shares (except a benefit solely by reason of being a holder of Shares in the Entity); or
- an associate of that person or persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the shareholder to vote in that way.

Resolution 8 - Approval for the issue in Tranche 2 Placement Shares (June Placement) to ROC Asset Management

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

"That, for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for:

- a) the Company to issue 16,032,790 Shares in the Company, to ROC Asset Management Pty Ltd or its nominees (**ROC Asset Management**); and*
- b) the increase in the relevant interest of ROC Asset Management in the Company's voting shares by ROC Asset Management and its associates (as defined in the Corporations Act) as a result of the issue of Shares in the Company under paragraph (a) of this resolution,*

on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Short summary

ROC Asset Management is proposing to participate in a placement being conducted by the Company in two tranches. ROC Asset Management is proposing to participate (subject to receipt of shareholder approval) in tranche 2 of the placement. Given the two-staged approach of the placement, ROC Asset Management's voting power in the Company was diluted through the issue of the tranche 1 shares. ROC Asset Management will be participating in tranche 2 of the placement with its level of participation limited to increasing its voting power in the company back to 22.45% (ie the level it was prior to the tranche 1 placement occurring). This increase in its voting power back to 22.45% is subject to the prior approval of the Company's shareholders under section 611 item 7 of the Corporations Act. This resolution seeks shareholder approval in respect of the maximum increase in voting power of ROC Asset Management as a result of ROC Asset Management's participation in tranche 2 of the placement.

IER

An independent expert report has been commissioned by the Company to opine on whether the transaction (ie the acquisition of the Tranche 2 June Placement Shares by ROC Asset Management) is fair and reasonable (**Transaction**).

The independent expert has concluded that the Transaction is **NOT** fair **but IS** reasonable.

Voting exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- ROC Asset Management Pty Ltd (or his nominee(s) and any other person who will obtain a material benefit as a result of the issue of Shares (except a benefit solely by reason of being a holder of Shares in the Entity); or
- an associate of ROC Asset Management Pty Ltd or its nominee and any other person who will obtain a material benefit as a result of the issue of Shares (except a benefit solely by reason of being a holder of Shares in the Entity).

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the shareholder to vote in that way.

Resolution 9 - Approval to Issue Lavan Options

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

"That, for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 2,974,000 Lavan Options on the terms and conditions set out in the Explanatory Statement."

Voting exclusion statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a person who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- an associate of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
 - the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
 - a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the shareholder to vote in that way.
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By order of the Board



Phillip MacLeod

Company Secretary

30 June 2020

PEARL GLOBAL LIMITED

ACN 118 710 508

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolution contained in this Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1 RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES (MARCH PLACEMENT)

1.1 Background

On 16 March 2020, the Company announced a capital raising to raise approximately \$2.18 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 8.5 cents per Share (**March Placement**). The March Placement was made in two tranches:

- (a) Tranche 1 was for 14,180,237 Shares issued on 19 March 2020 to raise \$1,205,320 (**Tranche 1 March Placement Shares**).
- (b) Tranche 2 was for 11,500,000 Shares issued on 31 March 2020 to raise \$977,500 (**Tranche 2 March Placement Shares**).

Aitken Murray Capital Partners were Lead Managers to the March Placement.

Funds raised from the Tranche 1 March Placement Share issue are to be or have been used for capital expenditure at the Stapylton site including works for the integration of Australian Tyre Processors business and costs associated with the expansion of production as well as working capital.

The Tranche 1 March Placement Shares were issued pursuant to the Company's placement capacity under ASX Listing Rule 7.1.

Resolution 1 seeks Shareholder approval and ratification pursuant to Listing Rule 7.4 for the issue of the Tranche 1 March Placement Shares issued under Listing Rule 7.1.

ASX Listing Rule 7.1 broadly provides that a listed company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12-month period than the amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

The Tranche 1 March Placement Share issue does not fit within any of the exceptions to Listing Rule 7.1, and as it has not yet been approved by Pearl's shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing Pearl's capacity to issue further Equity Securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the issue date for those shares.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. ASX Listing Rule 7.4 provides that where a company in general meeting ratifies a previous issue of securities made pursuant to ASX Listing Rule 7.1, and provided that the previous issue did not breach ASX Listing Rule 7.1, that issue will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

Pearl wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1.

This Resolution seeks shareholder approval to the issue of Shares under the Tranche 1 March Placement under and for the purposes of Listing Rule 7.4.

If Resolution 1 is passed, the prior issue of 14,180,237 Shares made under the Tranche 1 March Placement will be excluded in calculating the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1, effectively increasing the number of Equity Securities Pearl can issue without shareholder approval over the 12 month period following the date of issue of the Tranche 1 March Placement Shares.

If Resolution 1 is not passed, the prior issue of 14,180,237 Shares made under the Tranche 1 March Placement will be included in calculating the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the date of issue of the Tranche 1 March Placement Shares.

1.2 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 1:

- (a) 14,180,237 Shares were issued on 19 March 2020 at \$0.085 per Share;
- (b) The Tranche 1 March Placement Shares are fully paid ordinary shares issued on the same terms and conditions as the Company's existing Shares on issue;
- (c) The Tranche 1 March Placement Shares were issued to sophisticated investors introduced by Aitken Murray Capital Partners none of whom is a related party of the Company or otherwise a party to which Listing Rule 10.11 applies;
- (d) The funds raised from the issue of the Tranche 1 March Placement Shares are to be or have been used for capital expenditure at the Stapylton site including works for the integration of Australian Tyre Processors business and costs associated with the expansion of production as well as working capital;
- (e) The 14,180,237 Shares were not issued under a relevant agreement; and
- (f) A voting exclusion statement is included in the Notice.

1.3 Board Recommendation

The Directors recommend that Shareholders vote in favour of this Resolution.

2 RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF BREACH SHARES (MARCH PLACEMENT)

2.1 Background

On 16 March 2020, the Company announced a capital raising to raise approximately \$2.18 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 8.5 cents per Share (**Placement**).

The Placement was made in two tranches:

- (a) Tranche 1 was for 14,180,237 Shares issued on 19 March 2020 to raise \$1,205,320 (**Tranche 1 March Placement Shares**).
- (b) Tranche 2 was for 11,500,000 Shares issued on 31 March 2020 to raise \$977,500 (**Tranche 2 March Placement Shares**).

The Tranche 2 Shares were issued to Perpetual Corporate Trust Ltd ACF ROC Capital Pty Limited ATF Roc ES Private Equity Trust (**ROC Asset Management**).

As the Tranche 2 Shares were issued to ROC Asset Management, who at the time of issue was a substantial shareholder of Pearl, holding 18.30% just prior to the time of issue of the Tranche 2 Shares, and who at the relevant time, had (and still has) a nominated board representative, Brad Mytton, Listing Rule 10.11.3 required Pearl to obtain the prior approval of its shareholders in respect of the issue of the Tranche 2 Shares.

2.2 Breach

Pearl, through administrative oversight, failed to comply with the requirements of Listing Rule 10.11 in failing to obtain the prior approval of its shareholders to the issue of the Tranche 2 March Placement Shares to ROC Asset Management (**Breach**). The Tranche 2 March Placement Shares are currently subject of a holding lock placed by the Company's registry at the request of ASX which holding lock will remain until the matter in respect of the Breach has been addressed by the Company to the ASX's satisfaction.

As announced by the Company in its announcement of 28 May 2020, the ASX requires the Company to take the following remedial actions in respect of the Breach:

- (a) seek the approval of shareholders at an extraordinary general meeting of the Company in respect of the issue of the Tranche 2 March Placement Shares;
- (b) provide to shareholders an independent expert report as to whether or not the Tranche 2 Share acquisition was fair and reasonable,

(**Remedial Actions**).

The purpose of this resolution is to seek the approval of shareholders to ratify the issue of the Tranche 2 March Placement Shares which occurred in breach of Listing Rule 10.11.

2.3 Disclosure in respect of ratification under Listing Rule 10

Summary of Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless an exception in ASX Listing Rule 10.12 applies, a listed company must not issue or agree to issue Equity Securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the Company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or exception to do so;
- 10.11.4 an associate of a person referred to Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the Company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders. ROC Asset Management and/or its nominee is, by virtue of being a substantial shareholder holding greater than 10% of the total issued shares in Pearl at the time of the Tranche 2 Share issue, and having a board member nominated to the Pearl board, is a party covered by Listing Rule 10.11.3.

The exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances to the Tranche 2 March Placement Share issue. Therefore, approval is required under ASX Listing Rule 10.11 for the issue of the Tranche 2 March Placement Shares to ROC Asset Management and/or its nominee.

Resolution 2 seeks the ratification by shareholders to the Tranche 2 Share issue under and for the purposes of Listing Rule 10.11.

Information required by ASX Listing Rule 10.13

In compliance with the information requirements of ASX Listing Rule 10.13, Shareholders are advised of the following particulars on the allotment and issue:

Number of securities issued	11,500,000 Shares
Date of issue	31 March 2020
Issue price per security	\$0.085 per Share
Terms of issue	The issue, pursuant to a private placement to sophisticated investors of fully paid ordinary shares issued on the same terms and conditions as the Company's existing Shares on issue.
Persons to whom securities were issued	Perpetual Corporate Trust Ltd ACF ROC Capital Pty Limited ATF Roc ES Private Equity Trust
ASX Listing Rule 10.11 Category	LR 10.11.3
Purpose of the issue	To raise further capital by the Company in meeting its expenditure/working capital requirements.

Intended use of funds	The funds raised from the issue of the Tranche 2 Shares have been or are to be used for capital expenditure at the Stapylton site including works for the integration of Australian Tyre Processors business and costs associated with the expansion of production as well as working capital.
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2.4 Remedial action

Whilst the Tranche 2 March Placement Share issue has already been completed, as noted above, the issue was completed in breach of Listing Rule 10.11.3.

The Company is seeking approval for the purposes of Listing Rule 10 to ratify the Breach. An independent expert report has been commissioned by the Company to opine on whether the transaction (ie the acquisition of the Tranche 2 March Placement Shares by ROC Asset Management) is fair and reasonable.

The independent expert has concluded that the transaction was not fair but is reasonable.

A copy of the independent expert report is included in Schedule 2.

2.5 If resolution is/not passed

If Resolution 2 is passed:

- (a) Resolution 3 will be withdrawn and will not be considered; and
- (b) Shareholders will ratify the prior issue of the Breach Shares (and the Company will in consultation with ASX proceed to remove the holding lock currently in place with respect to the Breach Shares).

If Resolution 2 is not passed, the Company will be required to undertake (subject to receipt of shareholder approval under the alternative Resolution 3 as set out in this Notice) a selective buy-back of the Tranche 2 March Placement Shares from ROC Asset Management, which will in effect require the Company to buy-back those shares at least at the price at which they were sold to ROC Asset Management under the Tranche 2 March Placement Share issue.

This would require the Company to expend at least \$977,500 in funding the buy-back. Given Pearl's current financial situation, it is likely that this will need to be funded from the capital which has been raised by Pearl through the funds raised and to be raised under the June Placement (which is being conducted in two tranches). Further details of the June Placement are set out in Sections 4, 5 and 6 of this Explanatory Statement.

If shareholders do not pass this resolution and instead approve a buy-back of these Shares, part of the funds raised and to be raised through the June Placement, which are earmarked for capital expenditure requirements of Pearl, will instead be required to fund the buy-back.

Resolution 3 in respect of the buy-back, as an alternative to this resolution is set out in this Notice.

If both Resolutions 2 and 3 are not passed, the Company will procure ROC Asset Management to sell the Breach Shares within a 30 day period from the date of the meeting convened by this Notice, and any profit from such sale will be required to be donated to an entity registered with the Australian Charities and Not-for-profits Commission as a charity.

2.6 Board Recommendation

The Directors (with Brad Mytton abstaining) recommend that Shareholders vote in favour of this Resolution.

2.7 Role of the Independent Expert

The Independent Expert's Report, which is provided in Schedule 2, assesses whether the proposal outlined in the Resolution is fair and reasonable to the Shareholders who are not associated with ROC Asset Management.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed issue of Shares, which is designed to assist all non-associated Shareholders in reaching their voting decision in relation to the Resolution contained within this Notice of Meeting.

Nexia Australia has prepared the Independent Expert's Report and has concluded that the transaction was not fair but is reasonable.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

3 **RESOLUTION 3 – ALTERNATIVE RESOLUTION – BUY BACK: *IF RESOLUTION 2 IS PASSED, THE CHAIR WILL WITHDRAW RESOLUTION 3***

3.1 Background

On 31 March 2020, the Company completed a capital raising pursuant to which the Company issued insert total Shares. These securities were issued to various sophisticated and professional investors and Shareholders, including 11,500,000 Shares which were issued to Perpetual Corporate Trust Ltd ACF ROC Capital Pty Limited ATF Roc ES Private Equity Trust (**ROC Asset Management**).

The issue of the 11,500,000 Shares to ROC Asset Management (**ROC Shares**) occurred without prior Shareholder approval, resulting in an inadvertent breach of ASX Listing Rule 10.11 (**Breach**).

This was the subject of the Company's announcement dated 28 May 2020.

Following consultations with ASX, the Company is addressing this issue by:

- (a) seeking a ratification of the issue of ROC Shares (as set out in the terms of Resolution 2); and
- (b) alternatively, in the event that Resolution 2 is not passed, seeking shareholder approval under Resolution 3 for the buy-back and cancellation of the ROC Shares at an issue price of \$0.085 per share.

The purpose of Resolution 3 is to seek the requisite approval of Shareholders required under the Corporations Act for the buy-back of the ROC Shares (**Share Buy-Back**). The effect of Resolution 3 will be a selective buy-back of 11,500,000 Shares held by ROC Asset Management.

Immediately after the registration of the transfer to the Company of the ROC Shares bought back, those Shares will be cancelled in accordance with the Corporations Act.

Resolution 3 is a special resolution, and therefore requires not less than 75% of all votes cast on the Resolution, by Shareholders entitled to vote, to be in favour of the Resolution for it to be passed.

3.2 Requirements of Corporations Act

Regulatory framework

Given that the Share Buy-Back only applies selectively to Shares held by ROC Asset Management, the Share Buy-Back must be approved by a special resolution with no votes being cast in favour by any person whose Shares are proposed to be brought back or by their associates under section 257D of the Corporations Act. Section 257A of the Corporations Act provides that a company may buy-back its own shares if:

- (a) the buy-back does not materially prejudice the Company's ability to pay its creditors; and
- (b) the company follows the procedures laid down in Part 2J.1 Division 2 of the Corporations Act.

The Share Buy-Back is a selective buy-back. Accordingly, section 257D(2) of the Corporations Act requires that the Company include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the Resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to Shareholders.

Information required by the Corporations Act and ASIC Regulatory Guide 110

In accordance with the requirements of section 257D(2) of the Corporations Act and ASIC Regulatory Guide 110, the following information is provided to Shareholders to assist them to make a decision on how to vote on Resolution 3:

- (a) as at the date of this Notice, the Company has:
 - (i) 251,192,350 Shares on issue;
 - (ii) 45,319,238 listed options expiring 24 January 2021 and 2,000,000 unlisted options expiring 13 June 2022.
- (b) 11,500,000 Shares are proposed to be bought back. The percentage of Shares proposed to be bought back is 5.07% of the total Shares on issue immediately prior to the Share Buy-Back (assuming there is no change in the number of shares between the date of this Notice and completion of the Share Buy-Back (**Completion**);
 - (i) the terms of the Share Buy-Back are described below;
 - (ii) the primary purpose of the Share Buy-Back is to cure the Breach (as described above);
 - (iii) the overall effect of the Share Buy-Back would be to reduce the number of Shares currently on issue from 251,192,350 to 239,692,350.
 - (iv) as at the date of this Notice, ROC Asset Management or its associates hold the following securities in the Company representing the following percentages of the issued capital of the Company:

ROC (or entities associated with ROC)	Number of Shares held	Number of options held	Percentage of issued capital (undiluted basis)	Percentage of issued capital (fully diluted basis)
Perpetual Corporate Trust Ltd<First State Super Scheme>	39,370,078	0	15.67%	13.74%
Perpetual Corporate Trust Ltd <Roc Espet>	11,500,000	0	4.58%	4.01%
Total	50,870,078		20.25%	17.04%

- (c) If Shareholders approve all Resolutions contained in this Notice (except Resolution 2), the Share Buy-Back completes and all Shares are issued as contemplated by this Notice, ROC Asset Management or its associates will hold the following securities in the Company (representing the following percentages of the issued capital of the Company on a fully diluted basis and the following percentages assuming none of the unlisted options are exercised and assuming no change in the number of Shares between the date of this Notice and Completion):

ROC (or entities associated with ROC)	Number of Shares held	Number of options held	Percentage of issued capital (fully diluted)	Percentage of issued capital (assuming no options exercised)
Perpetual Corporate Trust Ltd	55,402,868	Nil	16.45%	19.33%

- (d) the purchase price for the Share Buy-Back will be funded from the proceeds of:
- (i) Tranche 2 of June Placement (assuming Resolutions 6, 7 and 8 are passed); and/or
 - (ii) Tranche 1 of the June Placement.
- (e) the advantages and disadvantages of the Share Buy-Back are described below (see section headed “Advantages and disadvantages of the Share Buy-Back”);
- (f) the Share Buy-back is not expected to have any effect on the control of the Company other than the effect of reducing the holdings of ROC Asset Management (or its associates) described above.
- (g) the selling Shareholder is ROC Asset Management.

- (h) the Company will incur no liabilities or costs in respect of the proposed Share Buy-Back other than the purchase price for the Share Buy-Back and costs in connection with preparation of this Notice and the Meeting. Costs in connection with the Notice and the Meeting are expected to be incurred whether or not the Share Buy-Back is approved.
- (i) the Company's working capital (as partly raised through the June Placement) will be reduced by the amount of the purchase price for the Share Buy-Back. The Share Buy-Back is not expected to have any other financial effect on the Company. The Company's most recent audited financial statements, which were for the half year ended 31 December 2019 were released to ASX on 28 February 2020; and
- (j) during the last 12 months before the date of lodgement of this Notice with ASIC, the highest trading price of the Shares was \$0.16 on 16 July 2019 and the lowest trading price of the Shares was \$0.07 on 30 March 2020. The market price of the Shares over the 5 days of trading on ASX up to and including 29 June 2020 has been between a minimum of \$0.08 per Share to a maximum of \$0.08 per Share. On 29 June 2020, the last trading day before this Notice of Meeting was finalised and despatched, the Shares closed at a price of \$0.08 per Share.

3.3 Share Buy-Back Agreement

The Company and ROC Asset Management propose to enter into a share buyback agreement (**Share Buy-Back Agreement**) under which, subject to Resolution 3 being approved (**Shareholder Approval Condition**), the Company will agree to buy back 11,500,000 Shares held by ROC Asset Management or its nominee for \$0.085 per Share (or \$977,500 in total).

Completion under the Share Buy-Back Agreements is expected to occur on or about the same time as the new issue of securities under Resolutions 6, 7 and 8 (assuming those Resolutions are also approved) or otherwise within an agreed timeframe to be stipulated in the Share Buy-Back Agreements from the date of receipt of shareholder approval under this Resolution 3.

If the Shareholder Approval Condition is not satisfied, all rights and obligations under the Share Buy-Back Agreement will terminate, other than rights accrued before that date.

In these circumstances, the ROC Shares will not be bought back or terminated. The Share Buy-Back Agreement will also include various mechanical provisions to give effect to the Share Buy-Back, and customary warranties as to incorporation, title, authority and solvency.

3.4 Advantages and disadvantages of the Share Buy-Back

On the basis that Resolution 2 is not passed the Directors (with Brad Mytton abstaining) believe that the Share Buy-Back is in the best interests of Shareholders and the Company and recommend that Shareholders vote in favour of Resolution 3 for the following reasons:

Advantages

- (a) the Share Buy-Back will only result in the cancellation of the ROC Shares issued to ROC Asset Management;
- (b) the Share Buy-Back will not materially prejudice the Company's ability to pay its creditors;
- (c) if Shareholder approval is not obtained:
 - (i) the Placement Shares would not be cancelled but would instead be sold and any profit from such sale donated to a registered charity;

- (ii) a sale of the 11,500,000 Shares by ROC Asset Management could have a material adverse effect on the Share price, which is not in Shareholders' interests;
- (iii) ROC Asset Management may suffer a financial loss if they are required to dispose of their Shares in the circumstances. This would be punitive in circumstances where the Breach was inadvertent, and the Shares were subscribed for at the prevailing market price when they were issued (and otherwise on terms consistent with all other shares issues as part of that placement); and
- (iv) This may negatively impact ROC Asset Management's ongoing support in Pearl.

Disadvantages

The Share Buy-Back will have the consequence that the Company will be required to fund the purchase price for the Share Buy-Back. The purchase price is expected to be funded from the proceeds of the issue of securities Tranche 1 of the June Placement and subject to approval of Resolutions 6 – 8, through the issue of Tranche 2 of the June Placement. The financial effect on cash reserves of the Share Buy-Back on the Company is expected to be \$977,500 (which funds are otherwise earmarked for other capital expenditure requirements of the Company as set out in Notice). The Company does not consider that there are any other material disadvantages to the Company undertaking the Share Buy-Back.

3.5 Interests of Directors

No director has a material personal interest in the outcome of Resolution 3. Notwithstanding this Mr Brad Mytton abstains from make any recommendation about Resolution 3 as he is a nominated board representative of ROC Asset Management.

All directors, with Brad Mytton abstaining, believe that the Share Buy-Back will not materially prejudice the Company's ability to pay its creditors because the purchase price for the Share Buy-Back is expected to be funded by the proceeds of the June Placement (part of which is subject to the Share issue the subject of Resolutions 5 to 7 (if approved)).

Accordingly, the Directors (with Brad Mytton abstaining) recommend that Shareholders vote in favour of Resolution 3 (as an alternative to Resolution 2).

3.6 Other Material Information

There is no information material to the making of a decision by a Shareholder whether or not to approve Resolution 3, being information that is known to any of the Directors and which has not been previously disclosed to Shareholders, other than as disclosed in this Explanatory Statement. Additional information that may be relevant to a consideration of Resolution 3 is set out throughout this Explanatory Statement. Shareholders should therefore read the Explanatory Statement in its entirety before making a decision on how to vote on Resolution 3.

4 RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 1 PLACEMENT SHARES (JUNE PLACEMENT) ISSUED UNDER LR 7.1

4.1 Background

On 10 June 2020, the Company announced a capital raising to raise approximately \$5 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 7 cents per Share (June Placement), with Bell Potter Securities as lead managers. The June Placement is to be made in two tranches.

Tranche 1 of the June Placement has completed as follows:

- (a) 24,558,233 Shares issued on 17 June 2020 to raise \$1,719,076.
- (b) Funds raised from the tranche 1 issue are to be used for expansion of Pearl's current facility at Stapylton, Queensland with expenditure to be targeted for construction of a fourth thermal desorption unit (**TDU**) and tyre processing equipment to increase volume and revenues. Funds will also be used for associated costs required for the ongoing expansion of production, the cost of the placement and general working capital.
- (c) The tranche 1 shares were issued pursuant to the Company's placement capacity under ASX Listing Rule 7.1 and 7.1A (with 4,462,845 of the Shares issued under Listing Rule 7.1 and the remaining 20,095,388 shares under Listing Rule 7.1A).

Resolution 4 seeks Shareholder approval and ratification pursuant to Listing Rule 7.4 for the issue of 4,462,845 Shares issued under Listing Rule 7.1.

ASX Listing Rule 7.1 broadly provides that a listed company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12-month period than the amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

The 4,462,845 Shares issued under Listing Rule 7.1 under Tranche 1 of the June Placement do not fit within any of the exceptions to Listing Rule 7.1, and as this issue has not yet been approved by Pearl's shareholders, the issue effectively uses up part of the 15% limit in Listing Rule 7.1, reducing Pearl's capacity to issue further Equity Securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the issue date for those shares.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. ASX Listing Rule 7.4 provides that where a company in general meeting ratifies a previous issue of securities made pursuant to ASX Listing Rule 7.1, and provided that the previous issue did not breach ASX Listing Rule 7.1, that issue will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

Pearl wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1.

This Resolution seeks shareholder approval to the issue of 4,462,845 Shares under Tranche 1 of the June Placement under and for the purposes of Listing Rule 7.4.

If Resolution 4 is passed, the prior issue of 4,462,846 Shares made under Tranche 1 of the June Placement will be excluded in calculating the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1, effectively increasing the number of Equity Securities Pearl can issue without shareholder approval over the 12 month period following the date of issue of Shares under Tranche 1 of the June Placement.

If Resolution 4 is not passed, the prior issue of 4,462,846 Shares made under Tranche 1 of the June Placement will be included in calculating the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the date of issue of Shares under Tranche 1 of the June Placement.

Tranche 2 of the June Placement of the June Placement will occur, subject to receipt of shareholder approval under Resolution 6. Details of tranche 2 of the June Placement are contained in section 6 of this explanatory statement.

4.2 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 4:

- (a) A total of 24,558,233 were Shares issued on 17 June 2020 with:
 - (i) 4,462,845 of those Shares issued under Listing Rule 7.1; and
 - (ii) 20,095,388 of those Shares issued under Listing Rule 7.1A.
- (b) The Shares were issued at a price of \$0.07 per Share;
- (c) The Shares are fully paid ordinary shares issued on the same terms and conditions as the Company's existing Shares on issue;
- (d) The Shares were issued to sophisticated investors introduced by Bell Potter Securities none of whom is a related party of the Company and none of whom is a party to whom Listing Rule 10.11 would apply;
- (e) The funds raised from the issue of the Shares are to be used for expansion of Pearl's current facility at Stapylton, Queensland with expenditure to be targeted for construction of a fourth TDU and tyre processing equipment to increase volume and revenues. Funds will also be used for associated costs required for the ongoing expansion of production, the cost of the placement and general working capital;
- (f) The Shares were not issued under a relevant agreement;
- (g) A voting exclusion statement is included in the Notice.

4.3 Board Recommendation

The Directors recommend that Shareholders vote in favour of this Resolution.

5 RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 1 PLACEMENT SHARES (JUNE PLACEMENT) ISSUED UNDER LR 7.1A

5.1 Background

On 10 June 2020, the Company announced a capital raising to raise approximately \$5 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 7 cents per Share (June Placement), with Bell Potter Securities as lead managers. The June Placement is to be made in two tranches.

Tranche 1 of the June Placement has completed as follows:

- (a) 24,558,233 Shares issued on 17 June 2020 to raise \$1,719,076.
- (b) Funds raised from the tranche 1 issue are to be used for expansion of Pearl's current facility at Stapylton, Queensland with expenditure to be targeted for construction of a fourth thermal desorption unit (TDU) and tyre processing equipment to increase volume and revenues. Funds will also be used for associated costs required for the ongoing expansion of production, the cost of the placement and general working capital.
- (c) The tranche 1 shares were issued pursuant to the Company's placement capacity under ASX Listing Rule 7.1 and 7.1A (with 4,462,845 of the Shares issued under Listing Rule 7.1 and the remaining 20,095,388 Shares under Listing Rule 7.1A).

Resolution 5 seeks Shareholder approval and ratification pursuant to Listing Rule 7.4 for the issue of 20,095,388 shares issued under Listing Rule 7.1A.

ASX Listing Rule 7.1 broadly provides that a listed company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12-month period than the amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

The 20,095,388 Shares issued under Listing Rule 7.1A under Tranche 1 of the June Placement do not fit within any of the exceptions to Listing Rule 7.1, and as this issue has not yet been approved by Pearl's shareholders, the issue effectively uses up part of the additional 10% limit in Listing Rule 7.1A, reducing Pearl's capacity to issue further Equity Securities without shareholder approval under Listing Rule 7.1A for the 12 month period following the issue date for those shares.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. ASX Listing Rule 7.4 provides that where a company in general meeting ratifies a previous issue of securities made pursuant to ASX Listing Rule 7.1, and provided that the previous issue did not breach ASX Listing Rule 7.1, that issue will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1. Further, an issue of securities made under Listing Rule 7.1A can be approved under Listing Rule 7.4.

Pearl wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1A.

This Resolution seeks shareholder approval to the issue of Shares under Tranche 1 of the June Placement under and for the purposes of Listing Rule 7.4.

If Resolution 5 is passed, the prior issue of 20,095,388 Shares issued under Listing Rule 7.1A under Tranche 1 of the June Placement will be excluded in calculating the Company's 10% annual placement capacity set out in ASX Listing Rule 7.1A, effectively increasing the number of Equity Securities Pearl can issue without shareholder approval over the 12 month period following the date of issue of Shares under Tranche 1 of the June Placement.

If Resolution 5 is not passed, the prior issue of , 20,095,388 Shares issued under Listing Rule 7.1A under Tranche 1 of the June Placement will be included in calculating the Company's 10% annual placement capacity set out in ASX Listing Rule 7.1A, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the date of issue of Shares under Tranche 1 of the June Placement.

Tranche 2 of the June Placement of the June Placement will occur, subject to receipt of shareholder approval under Resolution 6. Details of tranche 2 of the June Placement are contained in section 6 of this explanatory statement.

5.2 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 5:

- (a) A total of 24,558,233 were Shares issued on 17 June 2020 with:
 - (i) 4,462,845 of those Shares issued under Listing Rule 7.1; and
 - (ii) 20,095,388 of those Shares issued under Listing Rule 7.1A.
- (b) The Shares were issued at a price of \$0.07 per Share;

- (c) The Shares are fully paid ordinary shares issued on the same terms and conditions as the Company's existing Shares on issue;
- (d) The Shares were issued to sophisticated investors introduced by Bell Potter Securities none of whom is a related party of the Company and none of whom is a party covered by Listing Rule 10.11;
- (e) The funds raised from the issue of the Shares are to be used for expansion of Pearl's current facility at Stapylton, Queensland with expenditure to be targeted for construction of a fourth TDU and tyre processing equipment to increase volume and revenues. Funds will also be used for associated costs required for the ongoing expansion of production, the cost of the placement and general working capital;
- (f) The Shares were not issued under a relevant agreement; and
- (g) A voting exclusion statement is included in the Notice.

5.3 Board Recommendation

The Directors recommend that Shareholders vote in favour of this Resolution.

6 RESOLUTION 6 – APPROVAL OF ISSUE OF TRANCHE 2 PLACEMENT SHARES (JUNE PLACEMENT)

6.1 Background

On 10 June 2020, the Company announced a capital raising to raise approximately \$5 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 7 cents per Share (**June Placement**), with Bell Potter Securities as lead managers. The June Placement is to be made in two tranches.

Tranche 1 of the June Placement has completed as set out in Section 4 and Section 5 of this Explanatory Statement and \$1,719,076 has been raised under the Tranche 1 issue.

Resolution 6 seeks Shareholder approval for the issue of Shares under tranche 2 of the June Placement as announced to ASX on 10 June 2020, being a total of 46,870,339 Shares at an issue price of \$0.07 per Share to raise the balance of the \$3,288,923 (**Tranche 2 June Placement**).

6.2 Listing rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period. The proposed issue of the Tranche 2 Placement Shares does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Pearl's shareholders under Listing Rule 7.1.

Resolution 6 seeks the required shareholder approval to the issue of the Tranche 2 June Placement Shares under and for the purposes of Listing Rule 7.1.

If Resolution 6 is passed, Pearl will be able to proceed with the issue of the Tranche 2 June Placement Shares and raise the balance of the \$3,288,923 under the June Placement. In addition, the issue under the Tranche 2 June Placement will be excluded from the calculation of the number of Equity Securities that Pearl can issue without shareholder approval under Listing Rule 7.1.

If Resolution 6 is not passed, Pearl will not be able to proceed with the issue of the Shares under the Tranche 2 June Placement and this will impact on the ability of Pearl to continue to further its expansion of Pearl's current facility at Stapylton, Queensland and in particular in respect of construction of a fourth thermal desorption unit (**TDU**) and tyre processing equipment to increase volume and revenues, and also to meet the working capital expenses.

6.3 Technical information required by ASX Listing Rule 7.3

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 6.

- (a) Subject to the approval of Shareholders to Resolutions 7 and 8, the maximum number of Tranche 2 June Placement Shares to be issued under Resolution 6 is 46,870,339 Shares.
- (b) The Tranche 2 June Placement Shares will be issued no later than three (3) months after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the Tranche 2 June Placement Shares will occur on the same date;
- (c) The issue price of the Tranche 2 June Placement Shares will be \$0.07 per Share to raise gross proceeds of \$3,288,923.
- (d) The Tranche 2 June Placement Shares will be issued to:
 - (i) subject to sub-paragraph (iii), institutional and sophisticated investors, none of whom will be related parties of the company or otherwise parties to whom Listing 10.11 applies, within 3 months of the meeting (or longer period if allowed by ASX);
 - (ii) subject to the passing of Resolution 7 to Michael Barrett (a director of the Company) within 1 month of the meeting (or longer period if allowed by ASX); and
 - (iii) subject to the passing of Resolution 8 to ROC Asset Management within 3 months of the meeting or such other period as determined by the Company.
- (e) The Shares issued will be fully paid ordinary shares issued on the same terms and conditions as the Company's existing Shares on issue;
- (f) Funds raised are to be used for expansion of Pearl's current facility at Stapylton, Queensland with expenditure to be targeted for construction of a fourth thermal desorption unit (**TDU**) and tyre processing equipment to increase volume and revenues. Funds will also be used for associated costs required for the ongoing expansion of production, the cost of the placement and general working capital;
- (g) The Shares will not be issued pursuant to a relevant agreement; and
- (h) A voting exclusion statement is included in the Notice.

6.4 Board Recommendation

The Directors recommend that Shareholders vote in favour of this Resolution.

7 RESOLUTION APPROVAL OF ISSUE OF SHARES UNDER TRANCHE 2 JUNE PLACEMENT TO MICHAEL BARRETT

7.1 Background

On 10 June 2020, the Company announced a capital raising to raise approximately \$5 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 7 cents per Share (**June Placement**), with Bell Potter Securities as lead managers. The June Placement is to be made in two tranches.

Tranche 1 of the June Placement has completed as set out in Section 4 of this Explanatory Statement and \$1,719,076 has been raised under the Tranche 1 issue.

Details of Tranche 2 of the June Placement are set out in Section 5 of this Explanatory Statement.

Michael Barrett (a current director of the Company), or his nominee, intends to participate in Tranche 2 of the June Placement

Resolution 7 seeks Shareholder approval for the proposed issue of 142,858 Shares under tranche 2 of the June Placement to Michael Barrett, and/or his nominee on the terms and conditions set out below.

7.2 Chapter 2E of the Corporations Act

Pursuant to Chapter 2E of the Corporations Act a public company cannot give a 'financial benefit' to a 'related party' unless one of the exceptions set out in Sections 210 to 216 of the Corporations Act apply. Shareholders have in a general meeting approved the giving of that financial benefit to the related party. The issue of Shares to Michael Barrett constitutes giving a financial benefit and Michael Barrett is a related party by virtue of being a Director of the Company.

The Directors (other than Michael Barrett who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Shares to Michael Barrett and/or his nominee because the issue is being made on arm's length terms, and on the same terms as the remaining issues being made to third parties under the June Placement.

Accordingly, approval will not be sought under Chapter 2E for the issue of these Shares to Michael Barrett in accordance with section 210 of the Corporations Act.

7.3 ASX Listing Rule 10.11

Summary of Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless an exception in ASX Listing Rule 10.12 applies, a listed company must not issue or agree to issue Equity Securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the Company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board

of the Company pursuant to a relevant agreement which gives them a right or exception to do so;

10.11.4 an associate of a person referred to Listing Rules 10.11.1 to 10.11.3; or

10.11.5 a person whose relationship with the Company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders. Michael Barrett is a related party of the Company under Listing Rule 10.11.1, by virtue of being a Director. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Therefore, approval is required under ASX Listing Rule 10.11 for the issue of the Shares noted above to Michael Barrett and/or his nominee.

Resolution 7 seeks the required shareholder approval to the issue of 142,858 Shares under Tranche 2 of the June Placement to Michael Barrett, and/or his nominee on the terms and conditions set out below, under and for the purposes of Listing Rule 10.11.

If Resolution 7 is passed, Pearl will be able to proceed with the issue of 142,858 Shares under Tranche 2 of the June Placement to Michael Barrett, and/or his nominee.

Once approval is obtained pursuant to ASX Listing Rule 10.11, the Company is entitled to rely on ASX Listing Rule 7.2, Exception 14 as an exception to any requirement that may otherwise apply requiring Shareholder approval under ASX Listing Rule 7.1.

If Resolution 7 is not passed, Pearl will not be able to proceed with the issue of 142,858 Shares under Tranche 2 of the June Placement to Michael Barrett, and/or his nominee. This will mean that the funds to be raised from the June Placement will be reduced by \$10,000 (unless the Company is able to place those 142,858 Shares with an alternative investor).

Information required by ASX Listing Rule 10.13

In compliance with the information requirements of ASX Listing Rule 10.13, Shareholders are advised of the following particulars on the allotment and issue:

Number of securities issued	142,858
Date of issue	If Shareholder approval is obtained, the issue of the Shares will occur no later than one (1) month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).
Issue price per security	\$0.07 per Share
Terms of issue	The issue, pursuant to a private placement to sophisticated investors of fully paid ordinary shares issued on the same terms and conditions as the Company's existing Shares on issue.
Persons to whom securities were issued	Michael Barrett, a Director of the Company, or his nominee.
ASX Listing Rule 10.11 Category	Michael Barrett is a related party of the Company within listing rule 10.11, by virtue of being a Director of the Company.

Purpose of the issue/intended use of funds	Funds raised for the issue (along with all funds raised from the June Placement) are to be used for expansion of Pearl's current facility at Stapylton, Queensland with expenditure to be targeted for construction of a fourth thermal desorption unit (TDU) and tyre processing equipment to increase volume and revenues. Funds will also be used for associated costs required for the ongoing expansion of production, the cost of the placement and general working capital.
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7.4 Board recommendation

The Directors (with Michael Barrett abstaining) unanimously recommend that Shareholders vote in favour of Resolution 7.

8 APPROVAL FOR THE ISSUE OF SHARES IN THE COMPANY TO ROC ASSET MANAGEMENT

8.1 Background

On 10 June 2020, the Company announced a capital raising to raise approximately \$5 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 7 cents per Share (**June Placement**), with Bell Potter Securities as lead managers. The June Placement is to be made in two tranches.

Tranche 1 of the June Placement has completed as set out in Section 4 of this Explanatory Statement and \$1,719,076 has been raised under the Tranche 1 issue.

Details of Tranche 2 of the June Placement are set out in Section 5 of this Explanatory Statement.

Prior to the issue of the Tranche 1 June Placement Shares, ROC Asset Management's voting power in the Company was 22.45%. As a result of the issue of the Tranche 1 June Placement Shares, ROC Asset Management's voting power in the Company was diluted to 20.25%.

ROC Asset Management, or its nominee, intends to participate in Tranche 2 of the June Placement to the level required to ensure that its voting power in the Company, at the close of the issue of the Tranche 2 June Placement Shares, increases back to 22.45%. This will be achieved by ROC Asset Management subscribing for 16,032,790 Shares in the Tranche 2 June Placement for \$1,122,295.30 (**ROC Acquisition**).

It should be noted that ROC Asset Management's voting power as noted above includes the acquisition of Shares which were issued pursuant to the Breach which has been detailed in Section 2 of this Explanatory Statement. Resolution 2 of this Notice seeks a ratification of the Breach issue. If such ratification is not approved, ROC Asset Management's voting power may reduce (depending on whether there is a buy back of the Breach Shares or a requirement to sell those Shares to another party).

8.2 Shareholder approval

Resolution 8 seeks Shareholder approval, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, for the ROC Acquisition, which would permit ROC Asset Management's voting power in the company to increase to 22.45%.

It is noted that if Resolution is not approved, then ROC Asset Management's interest in the Company will be reduced to a point which is below 22.45%.

8.3 Item 7 of section 611 of the Corporations Act

Resolution 8 seeks Shareholder approval for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, for the ROC Acquisition.

An issue of securities that has been approved for the purposes of section 611 (item 7) of the Corporations Act is an exception to Listing Rule 10.11 (Exception 6, Listing Rule 10.11.2) and therefore approval under Listing Rule 10.11 is not required in respect of the ROC Acquisition.

8.4 Section 606 of the Corporations Act

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person; or
 - (iii) a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) of the Corporations Act, whereby a person may acquire a relevant interest in a company's voting shares in excess of the prescribed limit with shareholder approval.

8.5 Reason why item 7 of section 611 approval is required

Prior to the announcement of the June Placement, ROC Asset Management held an interest of 22.45% of the total Shares in Pearl.

Due to the fact that the June Placement had to be conducted in two tranches (as set out in Sections 4 and 5 of this Explanatory Statement), ROC Asset Management's interest in Pearl was diluted at the completion of the Tranche 1 June Placement Share issue.

ROC Asset Management currently holds 20.25% on an undiluted basis of the total Shares as follows:

Holder	Shares (undiluted basis)	%Shares (undiluted basis)	% Shares (fully diluted basis)	Options
Perpetual Corporate Trust Ltd <First State Super Scheme>	39,370,078	15.67%	13.74%	Nil
Perpetual Corporate Trust Ltd <Roc Espet>	11,500,000	4.58%	4.01%	Nil
Total	50,870,078	20.25%	17.04%	Nil

As at the date of this Notice, no other associates of ROC Asset Management (other than those specified above) have a relevant interest in Shares in the Company.

ROC Asset Management has appointed one board representative on the Company's board, Mr Brad Mytton who is employed as a partner of ROC Asset Management (with Nivin Thanabalan, Vice President of ROC Asset Management, being the alternate director).

In regards to Resolution 8:

- (a) In the event that the ROC Acquisition occurs, ROC Asset Management's ownership will increase.
- (b) Section 8.8 below details the potential maximum increase in voting power of ROC Asset Management and its associates as a result of the ROC Acquisition.

The information set out below is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval under item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report in Schedule 2 of this Explanatory Memorandum.

8.6 Impact of the Company

In regards to Resolution 8:

- (a) The Directors consider that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 8:
 - (i) The ROC Acquisition is being made to ensure that ROC Asset Management maintains its percentage interest in the Company to the level it was prior to the issue of the Tranche 1 June Placement Shares.
 - (ii) Overall, as a result of the June Placement (taking into account the completion of both tranches of the June Placement (subject to the approval of Resolutions 5 to 7) there is no net change to ROC Asset Management's voting power in the Company.
 - (iii) Had the June Placement occurred in one tranche (and not two), there would have been no dilution and subsequent increase of ROC Asset Management's voting power in the Company through the June Placement, and the ROC Acquisition would not have required the approval of shareholders under section 611 item 7 of the Corporations Act.
 - (iv) The ROC Acquisition is likely to result in a modest increase in ROC Asset Management's overall increase in shareholding in the Company, considering its current ownership in the Company of 20.25%.
 - (v) ROC Asset Management will not have any additional representation on the Company's Board as part of the ROC Acquisition.
 - (vi) ROC Asset Management is Pearl's cornerstone investor and has made a substantial investment into the Company.
- (b) The Directors consider that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 2:
 - (i) The acquisition may increase the voting power of ROC Asset Management as set out in Section 8.8 reducing the voting power of non-associated entities. Non-associated Shareholders may have their current Shareholding diluted, meaning that existing Shareholders may receive less distribution of Company profits in future.

The Independent Expert also notes key advantages to the Company and non-associated Shareholders of the proposed ROC Acquisition.

8.7 Information about ROC Asset Management

ROC Asset Management is an Australian based specialist asset manager focussing on private equity investment in the Asia Pacific region. Its objectives are to obtain a return on its investments, including investing in those companies where it supports the objectives of the company and considers there is a potential for return, whether through dividends and/or capital growth.

ROC Asset Management and its associates currently holds 20.25% of the total Shares (on an undiluted basis).

ROC Asset Management has appointed one board representative on the Company's board, Mr Brad Mytton, who is employed as a partner of ROC Asset Management.

8.8 Maximum increase in voting power of ROC Asset Management, and its associates, and total voting power

In regards to Resolution 8:

- (a) Table 1 shows the maximum change in the voting power of ROC Asset Management and its associates assuming that:
 - (i) there are no additional Shares issued, or otherwise acquired by ROC Asset Management; and
 - (ii) Resolution 2 is passed and all other resolutions (except resolution 3) are passed.
- (b) Table 2 shows the maximum change in voting power of ROC Asset Management and its associates assuming that:
 - (i) there are no additional Shares issued, or otherwise acquired by ROC Asset Management; and
 - (ii) Resolution 2 is not passed and all other resolutions, including resolution 3, are passed.
- (c) If:
 - .c.1 both the buy-back is not approved (under Resolution 3) and the ratification of the Breach Shares is not approved (under Resolution 2), and ROC Asset Management is required to sell shares to a third party, the relevant interest of ROC Asset Management will be below 20% after completion of the ROC Acquisition; and
 - .c.2 the buy-back is approved (under Resolution 3) and the ratification of the Breach Shares is not approved (under Resolution 2) the relevant interest of ROC Asset Management will be below 20% after completion of the ROC Acquisition (as shown in Table 2 below).

If the above eventuates, Resolution 8 will not be required and may need to be withdrawn.

Table 1: ROC Acquisition with Resolution 2 passed

	Total Shares on Issue (undiluted)	Non-associated shareholders (undiluted)	ROC Asset Management and associates (undiluted)	ROC Asset Management and associates (fully diluted)
Current number	251,192,350	200,322,272	50,870,078	50,870,078
Current percentage	100%	79.75%	20.25%	17.04%

Total number after ROC Acquisition (and issue of all remaining Tranche 2 June Placement Shares and assuming Lavan Options are issued)	298,062,689	231,159,821	66,902,868	66,902,868
Total % after ROC Acquisition (and issue of all remaining Tranche 2 June Placement Shares and assuming Lavan Options are issued)	100%	77.55%	22.45%	19.21%

Table 2: ROC Acquisition with Resolution 2 not passed

	Total Shares on Issue (undiluted)	Non-associated shareholders	ROC Asset Management and associates	ROC Asset Management and associates (fully diluted)
Current number	251,192,350	200,322,272	50,870,078	50,870,078
Current percentage	100%	79.75%	20.25%	17.04%
Resolution 2 not passed, ROC Shares bought back	239,692,350	200,322,272	39,370,078	39,370,078
ROC Acquisition	NA	NA	16,032,790	16,032,790

Total number after ROC Acquisition and buy back (and issue of all remaining Tranche 2 June Placement Shares and assuming Lavan Options are issued)	286,562,689	231,159,821	55,402,868	55,402,868
Total % after ROC Acquisition and buy back (and issue of all remaining Tranche 2 June Placement Shares and assuming Lavan Options are issued)	100%	80.67%	19.33%	16.45%

8.9 Intentions in relation to the Company

ROC Asset Management has informed the Company that as at the date of this Notice of Meeting and on the basis of the facts and information available to it, if Shareholders approve the Resolution that it:

- (a) has no current intention of making any significant changes to the business of the Company in a manner that may be detrimental to non-associated Shareholders;
- (b) does not intend to redeploy any fixed assets of the Company;
- (c) does not have any current intention to inject further capital into the Company;
- (d) does not intend to transfer any property between the Company and ROC Asset Management or any person associated with it other than as set out in this Notice;
- (e) has no current intention to change the Company's existing policies in relation to financial matters or dividends in a manner that may be detrimental to non-associated Shareholders;
- (f) has no current intentions regarding the future employment of the present employees of the Company; and
- (g) has no current intention to change the Board, noting that ROC Asset Management already has board representation, with Brad Mytton appointed as a director.

8.10 Interests and recommendations of Directors

None of the Directors have any personal interest in the outcome of the Resolution. Brad Mytton is a director of Pearl, as a representative of ROC Asset Management, and does not have a personal interest in the outcome of the Resolution.

Based on the information available, including that contained in this Explanatory Memorandum and the Independent Expert's Report, all of the Directors (with Brad Mytton abstaining) consider that the issue of Shares to ROC Asset Management the subject of the Resolution is in the best interests of the Company.

The Directors (with Brad Mytton abstaining) are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Each of the Directors (with Brad Mytton abstaining) approved the proposal to put the Resolution to Shareholders and each of the Directors (with Brad Mytton abstaining) recommend that Shareholders vote in favour of the Resolution.

8.11 Role of the Independent Expert

The Independent Expert's Report, which is provided in Schedule 2, assesses whether the proposal outlined in the Resolution is fair and reasonable to the Shareholders who are not associated with ROC Asset Management.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed issue of Shares, which is designed to assist all non-associated Shareholders in reaching their voting decision in relation to the Resolution contained within this Notice of Meeting.

Nexia Australia has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 8 is not fair but is reasonable.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

9 APPROVAL TO ISSUE LAVAN OPTIONS

9.1 Background

Resolution 9 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 2,974,000 Lavan Options. The value of the Lavan Options, using the Black-Scholes valuation methodology is \$0.0404 per Lavan Option.

The Lavan Options are being issued in respect of services provided by Lavan for a value of up to \$120,000.

9.2 Listing rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period. The proposed issue of the Lavan Options does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Pearl's shareholders under Listing Rule 7.1.

Resolution 9 seeks the required shareholder approval to the issue the Lavan Options under and for the purposes of Listing Rule 7.1.

If Resolution 9 is passed, it will permit the Directors to complete the issue of the Lavan Options no later than 3 months after the date of the Meeting (or such longer period as allowed by ASX). In addition, the issue of the Lavan Options will be excluded from the calculation of the number of Equity Securities that Pearl can issue without shareholder approval under Listing Rule 7.1.

If Resolution is not passed, Pearl will not be able to proceed with the issue of the Lavan Options and Pearl will be required to meet outstanding payments of approximately \$120,150 in respect of legal services provided by Lavan through existing cash reserves of the Company.

9.3 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 9:

- (a) the Company will issue a maximum of 2,974,000 Lavan Options pursuant to Resolution 9 at an issue price of \$0.0404 per Lavan Option;
- (b) the Lavan Options will be issued no later than 3 months after the date of the Meeting or such later date as permitted by ASX. It is intended that all of the Lavan Options will be issued on the same date;
- (c) the terms of the Lavan Options are set out in Schedule 1;
- (d) the Lavan Options will be issued to Lavan (the partnership) which is not a related party of the Company;
- (e) no funds will be raised from the issue of the Lavan Options (as they are being issued in satisfaction of outstanding professional fees owed to Lavan);
- (f) the Lavan Options are being issued pursuant to outstanding professional fees which are owed to Lavan pursuant to a cost agreement between the Company and Lavan setting out the terms on which Lavan agrees to act for the Company in the provision of legal services and the fees and charges which Lavan will charge in respect of such services; and
- (g) a voting exclusion statement is included in the Notice.

9.4 Board Recommendation

The Directors recommend that Shareholders vote in favour of this Resolution.

ENQUIRIES

Shareholders may contact Phil MacLeod on (+ 61 8) 9431 9888 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

In the Notice and this Explanatory Statement the following expressions have the following meanings:

"**ASIC**" means the Australian Securities and Investment Commission.

"**ASX**" means the ASX Limited (ABN 98 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the Listing Rules of the ASX.

"**Board**" means the Board of Directors of the Company.

"**Business Day**" has the same meaning as in the Listing Rules.

"**Chair**" or "**Chairman**" means the chairman of the Company.

"**Company**" or "**Pearl Global**" means Pearl Global Limited (ACN 118 710 508).

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

"**Corporations Regulations**" mean the *Corporations Regulations 2001* (Cth).

"**Directors**" mean the directors of the Company from time to time.

"**Explanatory Statement**" means this Explanatory Statement.

"**Extraordinary General Meeting**" and "**Meeting**" means the meeting convened by this Notice.

"**Lavan Options**" means the options with the terms set out in Schedule 1.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Resolution**" means the resolution referred to in the Notice.

"**ROC Asset Management**" means ROC Asset Management Pty Ltd ACN 118 710 508 or its nominee or associates (and for the avoidance of doubt, includes a reference to Perpetual Corporate Trust Ltd ACF ROC Capital Pty Limited ATF Roc ES Private Equity Trust as applicable).

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

"**Shareholder**" means a registered holder of shares in the Company.

"**WST**" or "**Western Standard Time**" means Western Standard Time, Perth, Western Australia.

"**\$**" means Australian dollars unless otherwise stated.

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact

PG1

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (AEST)** Wednesday, 29 July 2020.

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999
SRN/HIN: I999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Pearl Global Limited hereby appoint



the Chairman
of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and 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 Extraordinary General Meeting of Pearl Global Limited to be held at Level 2, Kay House, 35-39 Scarborough Street, Southport, Queensland on Friday, 31 July 2020 at 10:00am (AEST) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Ratification of prior Issue of Placement Shares (March placement)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Ratification of prior Issue of Breach Shares (March placement)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Alternative resolution – Buy back of Breach Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of prior issue of Tranche 1 Placement Shares (June placement) issued under LR 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Ratification of prior issue of Tranche 1 Placement Shares (June placement) issued under LR 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of issue of Tranche 2 Placement Shares (June Placement)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Participation of Related Party in Tranche 2 Placement Shares (June Placement) – Michael Barrett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval for the issue in Tranche 2 Placement Shares (June Placement) to ROC Asset Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Approval to Issue Lavan Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically



SCHEDULE 1 – OPTION TERMS

Lavan Options

The terms of the Lavan Options are as follows:

- 1.1.1.1. **(Entitlement)** Each Option entitles the holder to subscribe for one Share upon the exercise of the Option.
- 1.1.1.2. **(Exercise Price)** The exercise price of each Option is \$0.15.
- 1.1.1.3. **(Expiry Date)** Each Option will expire at 5.00pm (AWST) on the date which is 24 months from the issue date.
- 1.1.1.4. **(Exercise period)** The Options are exercisable at any time from the date of issue to the Expiry Date.
- 1.1.1.5. **(Notice of exercise)** The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised in Australian currency by cheque or electronic funds transfer or other means of payment acceptable to the Company. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
- 1.1.1.6. **(Shares issued on exercise)** Shares issued on exercise of the Options rank equally with the Shares of the Company.
- 1.1.1.7. **(Options not quoted)** The Company will not apply to ASX for quotation of the Options.
- 1.1.1.8. **(Quotation of shares on exercise)** The Company will apply to ASX for official quotation of the Shares issued on the exercise of the Option.
- 1.1.1.9. **(Timing of issue of Shares)** After an Option is validly exercised the Company must as soon as possible following receipt of cleared funds equal to the Exercise Price payable on the exercise of the Option:
 - 1.1.1.9.1. issue the Share;
 - 1.1.1.9.2. if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Share does not require disclosure to investors; and
 - 1.1.1.9.3. do all such acts, matters and things to obtain the grant of quotation for the Share on ASX no later than 5 trading days from the date of exercise of the Option.
- 1.1.1.10. **(Participation in new issues)** There are no participation rights or entitlements inherent in the Options and a holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.
- 1.1.1.11. **(Adjustment for rights issues)** If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.
- 1.1.1.12. **(Change in Exercise Price)** An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be issued.
- 1.1.1.13. **(Adjustments for reorganisation)** If there is any reconstruction (including consolidation, subdivision, reduction or return) of the issued share capital of the Company, the rights of the

Option holder may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

- 1.1.1.14. **(Options not transferable)** The Options are not transferable, except with the prior written approval of the board of directors of the Company and subject to compliance with the Corporations Act.
- 1.1.1.15. **(Lodgement Instructions)** Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged with the Company's Share Registry.

SCHEDULE 2 – INDEPENDENT EXPERT REPORT

Pearl Global Limited***Proposed Transaction 1:***

Issue of 11,500,000 fully paid ordinary shares to Roc Asset Management Pty Ltd and its associates on 31 March 2020

Proposed Transaction 2:

Issue of 16,032,790 fully paid ordinary shares to Roc Asset Management Pty Ltd and its associates

**Independent Expert's Report
and Financial Services Guide**

30 June 2020

In our opinion:

***Proposed Transaction 1 was
not fair but reasonable***

***Proposed Transaction 2 is
not fair but reasonable***



FINANCIAL SERVICES GUIDE

Dated: 30 June 2020

What is a Financial Services Guide ("FSG")?

This FSG is designed to help you decide whether to use any of the general financial product advice provided by Nexia Perth Corporate Finance Pty Ltd ABN 84 009 342 661 ("NPCF"), Australian Financial Services Licence Number 289358 ("AFSL").

This FSG includes information about:

- NPCF and how they can be contacted
- the services NPCF is authorised to provide
- how NPCF are paid
- any relevant associations or relationships of NPCF
- how complaints are dealt with as well as information about internal and external dispute resolution systems, and how you can access them; and
- the compensation arrangements that NPCF has in place.

Where you have engaged NPCF we act on your behalf when providing financial services. Where you have not engaged NPCF, NPCF acts on behalf of our client when providing these financial services and are required to provide you with a FSG because you receive a report or other financial services from NPCF.

Financial Services that NPCF is Authorised to Provide

NPCF holds an AFSL authorising it to carry on a financial services business to provide financial product advice for securities and deal in a financial product by arranging for another person to issue, apply for, acquire, vary or dispose of a financial product in respect of securities to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

NPCF's Responsibility to You

NPCF has been engaged by the directors of Pearl Global Limited ("Pearl" or the "Client") to provide general financial product advice in the form of an Independent Expert's Report to be included in the Notice of Meeting ("NoM" or "Document") sent to Pearl shareholders dated on or about 30 June 2020 ("Report").

You have not engaged NPCF directly but have received a copy of the Report because you have been provided with a copy of the Document. NPCF or the employees of NPCF are not acting for any person other than the Client.

NPCF is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As NPCF has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Proposed Transactions.

Fees NPCF May Receive

NPCF charges fees for preparing Reports. These fees will usually be agreed with, and paid by the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay NPCF \$20,000 (excluding GST and out of pocket expenses) for preparing the Report. NPCF and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

Referrals

NPCF does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and Relationships

Through a variety of corporate and trust structures NPCF is controlled by and operates as part of Nexia Perth Pty Ltd (for the "Nexia Perth Entity"). NPCF's directors and authorised representative may be directors in the Nexia Perth Entity. Mrs Muranda Janse Van Nieuwenhuizen, authorised representative of NPCF and director in the Nexia Perth Entity, has prepared this Report. The financial product advice in the Report is provided by NPCF and not by the Nexia Perth Entity.

From time to time NPCF, the Nexia Perth Entity and related entities ("Nexia Entities") may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years \$54,572 (excluding GST) in professional fees has been invoiced and/or received from the Client in relation to the provision of Independent Expert's Reports.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Proposed Transactions.

Complaints Resolution

If you have a complaint, please let NPCF know. Formal complaints should be sent in writing to:

Nexia Perth Corporate Finance Pty Ltd
Compliance Officer
GPO Box 2570
Perth WA 6001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Mr Henko Vos, on +61 8 9463 2463 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External Complaints Resolution Process

If NPCF cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority ("AFCA"). The AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about the AFCA is available at the AFCA website <https://www.afca.org.au/> or by contacting them directly at:

Australian Financial Complaints Authority Limited
GPO Box 3, Melbourne, Victoria 3001

Telephone: 1300 56 55 62
Facsimile (03) 9613 6399
Email: info@afca.org.au

The Australian Securities and Investments Commission also has a free call info line on 1300 300 630 which you may use to obtain information about your rights.

Compensation Arrangements

NPCF has professional indemnity insurance cover as required by the *Corporations Act 2001* (Cth).

Contact Details

You may contact NPCF at:

Nexia Perth Corporate Finance Pty Ltd
GPO Box 2570
PERTH WA 6001

30 June 2020

The Directors
Pearl Global Limited
Unit 19
63 Burnside Road,
Stapylton QLD 4207

Dear Sirs,

Independent Expert's Report on:

- **the Issue of 11,500,000 Fully Paid Ordinary Shares on 31 March 2020; and**
- **the Proposed Issue of 16,032,790 Fully Paid Ordinary Shares;**

to Roc Asset Management Pty Ltd and Its Associates

1. OUTLINE OF THE PROPOSED TRANSACTIONS

Nexia Perth Corporate Finance Pty Ltd ("NPCF") has been requested by Pearl Global Limited ("Pearl" or the "Company") to prepare an Independent Expert's Report ("Report") in relation to the following:

- the issue of 11,500,000 fully paid ordinary shares ("Shares") on 31 March 2020 to Roc Asset Management Pty Ltd and/or its associates' ("ROC") nominee, Perpetual Corporate Trust Ltd ACF Roc Capital Pty Limited ATF Roc ES Private Equity Trust ("ROC's Nominee"), hereafter referred to as "Proposed Transaction 1"; and
- the proposed issue of 16,032,790 Shares to ROC ("Proposed Transaction 2");

(together defined as the "Proposed Transactions" in this Report).

1.1. Outline of Proposed Transaction 1

On 16 March 2020, the Company announced a capital raising to raise approximately \$2.16 million through the issue of fully paid ordinary shares ("Shares") to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of \$0.085 per Share ("March Placement").

The March Placement was made in two tranches. The first tranche was for 14,180,237 Shares issued on 19 March 2020 to raise \$1,205,320 ("Tranche 1 March Placement Shares"). The second tranche was for 11,500,000 Shares issued to ROC's Nominee on 31 March 2020 to raise \$977,500 ("Tranche 2 March Placement Shares"). The issue of Tranche 2 March Placement Shares is Proposed Transaction 1, as defined at the beginning of section 1.

The issue of Tranche 1 March Placement Shares resulted in ROC's shareholding diluting from 19.59% to 18.30%. After the issue of Tranche 1 March Placement Shares, Proposed Transaction 1 then resulted in ROC's shareholding increasing from 18.30% to 22.45%.

At the time, ROC was a substantial shareholder of Pearl, holding 18.30% just prior to the time of issue of the Tranche 2 March Placement Shares. ROC also had (and still has) a nominated board representative, Brad Mytton, on Pearl's Board of Directors. As such, ASX Listing Rule 10.11.3 required Pearl to obtain the prior approval of its shareholders in respect of the issue of the Tranche 2 March Placement Shares.

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1.1 Outline of Proposed Transaction 1 (Continued)

Pearl, through an administrative oversight, failed to comply with the requirements of ASX Listing Rule 10.11.3 in failing to obtain the prior approval of its shareholders for the issue of the Tranche 2 March Placement Shares to ROC ("Breach"). As announced by the Company in its announcement of 28 May 2020, the ASX requires the Company to take the following remedial actions in respect of the Breach:

- (a) seek the approval of shareholders at an extraordinary general meeting ("EGM") of the Company in respect of the ratification of Proposed Transaction 1; and
- (b) provide to shareholders an Independent Expert's Report ("Report") as to whether or not Proposed Transaction 1 was fair and reasonable.

The approval of the ratification of Proposed Transaction 1 is the subject of Resolution 2 of the Notice of Meeting ("NoM") for the EGM which will be held on 31 July 2020.

The NoM has also indicated that if the ratification of Proposed Transaction 1 is not approved, Pearl will be required to undertake a selective buy-back of the Tranche 2 March Placement Shares from ROC ("Buy-Back"). A Buy-Back, if required, will effectively require Pearl to expend at least \$977,500 to buy-back the Tranche 2 March Placement Shares (or "Breach Shares") at the minimum price of at least \$0.085 per Share (i.e. the price at which Tranche 2 March Placement Shares were sold to ROC). The Buy-Back would also be subject to shareholder approval and is the subject of Resolution 3 in the NoM should the ratification of Proposed Transaction 1 be not approved.

If the ratification of Proposed Transaction 1 under Resolution 2 is not approved, but the Buy-Back under Resolution 3 is approved, ROC's shareholding would drop to below 20% upon completion of the Buy-Back (refer to section 5.6.1, note 3).

If both the ratification of Proposed Transaction 1 under Resolution 2 and the Buy-Back under Resolution 3 are not approved, and ROC is required to sell the Breach Shares to a third party (i.e. on-market), ROC's shareholding would also drop to below 20% (refer section 5.6.1, note 4). Any profit from such sale of the Breach Shares will be required to be donated to an entity that is registered as a charity with the Australian Charities and Not-for-profits Commission.

1.2 Outline of Proposed Transaction 2

On 10 June 2020, the Company announced that it had received commitments to raise \$5 million through a two-tranche placement of approximately 71.4 million fully paid ordinary shares at a price of \$0.07 per Share ("June Placement"). The funds raised from the June Placement will be used for the expansion of Pearl's current facility at Stapylton, Queensland with expenditure to be targeted for construction of a fourth thermal desorption unit and tyre processing equipment to increase volume and revenues. Funds will also be used for associated costs required for the ongoing expansion of production, the cost of the June Placement and general working capital.

According to the 10 June 2020 announcement, the Company will issue up to 71,428,572 Shares at a price of \$0.07 each in two tranches. The first tranche of the June Placement ("Tranche 1 June Placement") was settled and quoted on the ASX on 17 June 2020. Under the Tranche 1 June Placement, 24,558,233 Shares ("Tranche 1 June Placement Shares") were issued under the Company's current placement capacity to raise \$1,719,076.

The second tranche of the June Placement ("Tranche 2 June Placement") will be the issue of 46,870,339 Shares ("Tranche 2 June Placement Shares") to raise the balance of \$3,288,923.

Prior to the issue of the Tranche 1 June Placement Shares, ROC's voting power in the Company was 22.45%. As a result of the issue of the Tranche 1 June Placement Shares, ROC's voting power in the Company has been diluted to 20.25%.

ROC has committed to participate in the Tranche 2 June Placement for approximately \$1.1 million to maintain their previous percentage interest of 22.45% (subject to the ratification of Proposed Transaction 1) in Pearl.

The completion of the Tranche 2 June Placement and the participation of ROC is subject to shareholder approval at the same EGM (as per section 1.1) to be held on 31 July 2020. Specifically, the approval of the issue of Shares to ROC under the Tranche 2 June Placement is the subject of Resolution 8 in the NoM, which indicates the issue of 16,032,790 Shares at \$0.07 each to ROC ("Proposed Transaction 2"), subject to shareholder approval.

However, if the ratification of Proposed Transaction 1 and/or the Buy-Back of the Breach Shares are not approved by the shareholders of Pearl, ROC's voting power in Pearl will reduce to below 20% (as shown in section 5.6.1). Following this, Proposed Transaction 2 will not result in ROC's voting power increasing to a position of greater than 20%, and therefore Resolution 8 will not be required under section 606 of the Corporations Act and may be withdrawn, as indicated in the NoM.

2. PURPOSE OF REPORT

The purpose of this Report is to advise the shareholders of Pearl on the fairness and reasonableness of the Proposed Transactions. Proposed Transaction 1 and Proposed Transaction 2 are not interdependent, and have been assessed separately in this Report, except where stated otherwise.

2.1. Legislation Requiring Shareholder Approval and Report for Proposed Transaction 1

Australian Securities Exchange ("ASX") Listing Rule 10.11 prohibits a listed entity from issuing equity securities to certain related parties and substantial shareholders unless an exception in ASX Listing Rule 10.12 applies.

ROC and/or ROC's Nominee is a related party, by virtue of being a substantial shareholder holding 18.30% (i.e. greater than 10%) of Pearl's total Shares just prior to Proposed Transaction 1 (the issue of Tranche 2 March Placement Shares), and having (and still having) a board member (Brad Mytton) nominated to the Pearl board. The exceptions set out in ASX Listing Rule 10.12 did not apply to Proposed Transaction 1.

As such Proposed Transaction 1 required shareholder approval under ASX Listing Rule 10.11 (being the subject of Resolution 2 of the NoM issued on 30 June 2020 to Pearl's shareholders). Although the requirements for the NoM under ASX Listing Rule 10.11 does not require an independent expert's report, following the Breach, the ASX has required the Company to provide to shareholders an independent expert's report as to whether or not Proposed Transaction 1 was fair and reasonable (as outlined in section 1.1).

The Australian Securities and Investments Commission ("ASIC") has issued *Regulatory Guide 76: Related party transactions* ("RG 76") and *Regulatory Guide 111: Content of expert reports* ("RG 111") which set out the material disclosure requirements in independent expert's reports provided to shareholders. As part of the requirements, ASIC also requires that the independent expert's report comply with ASIC's issued *Regulatory Guide 112: Independence of experts* ("RG 112").

Consistent with the requirement by ASX and the guidance in RG 76, RG 111 and RG 112, the Directors of Pearl have requested NPCF to prepare an independent expert's report, the purpose of which is to provide an independent opinion as to whether or not Proposed Transaction 1 is fair and reasonable to the shareholders of Pearl.

2.2. Legislation Requiring Shareholder Approval and Report for Proposed Transaction 2

Under section 606 of the *Corporations Act 2001* (Cth) ("Corporations Act"), a transaction that would result in an entity and its associates increasing their voting power in an entity from:

- 20% or below to greater than 20%; or
- a position above 20% and below 90%,

is prohibited without making a takeover offer to all shareholders unless an exemption applies.

Item 7 of section 611 of the Corporations Act provides an exemption from the above if the transaction is approved by shareholders in a general meeting.

ROC is a related party of Pearl (as outlined in section 2.1), and as Proposed Transaction 2 results in ROC's voting power increasing from a position of above 20% (being 22.45%, on the assumption that the ratification of Proposed Transaction 1 is approved by the shareholders of Pearl) to a position less than 90% (as outlined in section 1.2), Proposed Transaction 2 requires shareholder approval (being the subject of Resolution 8 of the NoM issued on 30 June 2020 to Pearl's shareholders).

However, if the ratification of Proposed Transaction 1 and/or the Buy-Back of the Breach Shares are not approved by the shareholders of Pearl, ROC's voting power in Pearl will reduce to below 20% (as shown in section 5.6.1). Following this, Proposed Transaction 2 will not result in ROC's voting power increasing to a position of greater than 20%.

As such, if the ratification of Proposed Transaction 1 and/or the Buy-Back of the Breach Shares are not approved by the shareholders of Pearl, Resolution 8 will not be required under section 606 of the Corporations Act and may be withdrawn, as indicated in the NoM.

In addition to RG 76, RG 111 and RG 112 (as outlined in section 2.1), ASIC has also issued *Regulatory Guide 74: Acquisitions approved by members* ("RG 74"). RG 74 and RG 76 set out the material disclosure requirements to shareholders when seeking their approval under item 7 of section 611 of the Corporations Act. As part of the disclosure requirements, ASIC requires a detailed analysis of the transaction that complies with RG 111, which can either be undertaken by the directors if they believe they have sufficient skill and expertise or by an independent expert. ASIC also requires that any analysis prepared comply with RG 112.

Consistent with the guidance in RG 74, RG 76, RG 111 and RG 112, the Directors of Pearl have requested NPCF to prepare an independent expert's report, the purpose of which is to provide an independent opinion as to whether or not Proposed Transaction 2 is fair and reasonable to the shareholders of Pearl.

3. SUMMARY AND OPINION

This section is a summary of our opinion and cannot be a substitute for a complete reading of this Report. Our opinion is based solely on information available as at the date of this Report.

The principal factors that we have considered in forming our opinion are summarised below.

3.1. Assessment of Fairness

3.1.1. Assessment of Fairness of Proposed Transaction 1

As discussed in section 4.1, in determining whether or not Proposed Transaction 1 was fair to the shareholders of Pearl, we have compared the fair value of each Pearl Share issued to ROC under Proposed Transaction 1 to the consideration received by Pearl in return for each Share issued to ROC under Proposed Transaction 1.

This is summarised below:

Proposed Transaction 1	Low	Mid	High
Fair value of each Pearl Share issued to ROC under Proposed Transaction 1	\$0.094	\$0.113	\$0.132
Consideration received for each Share under Proposed Transaction 1	\$0.085	\$0.085	\$0.085

As the consideration received for each Pearl Share under Proposed Transaction 1 was not within the range we have determined to be the fair value of each Pearl Share issued to ROC under Proposed Transaction 1, **we have concluded that Proposed Transaction 1 was not fair.**

3.1.2. Assessment of Fairness of Proposed Transaction 2

As discussed in section 4.2, in determining whether or not Proposed Transaction 2 is fair to the shareholders of Pearl, we have compared the fair value of a Pearl Share on a control basis before Proposed Transaction 2, to the fair value of a Pearl Share on a minority basis after Proposed Transaction 2.

This is summarised below:

Proposed Transaction 2	Low	Mid	High
Fair value of a Pearl Share on a control basis, pre Proposed Transaction 2	\$0.088	\$0.101	\$0.114
Fair value of a Pearl Share on a minority basis, post Proposed Transaction 2	\$0.068	\$0.075	\$0.082

The analysis above identifies that under all three scenarios (i.e. low to high valuations) the fair value of a Pearl Share on a control basis is lower than the fair value on a minority basis post Proposed Transaction 2. Therefore **we have concluded that Proposed Transaction 2 is not fair.**

3.2. Assessments of Reasonableness

3.2.1. Assessment of Reasonableness of Proposed Transaction 1

In accordance with RG 111, a related party transaction is reasonable if:

- the transaction is fair; or
- despite being not fair, there are sufficient reasons for members to vote for the proposal.

In forming our opinion we have considered the following relevant factors (see section 11):

Advantages	Disadvantages
<ul style="list-style-type: none"> • An improvement in the Group's working capital, financial and going concern positions; • Access to funds supporting ongoing operations and plans to increase production capacity; • Absence of alternative offers at the time; • ROC's demonstration of ongoing support; • ROC did not receive selective treatment in Proposed Transaction 1; and • ROC's voting power could act as a blocking stake to prevent another shareholder from compulsory acquisition of Pearl. 	<ul style="list-style-type: none"> • Increased risk of restriction on ordinary and special resolutions as a result of ROC's increased shareholding; and • Dilution of existing shareholders' interest.

The Directors have advised us that, if Proposed Transaction 1 had not proceeded, that alternative funding would have had to be secured to fund the Company's ongoing operations as well as the planned increased production capacity from the current 3 to 6 TDUs and to support further growth.

If the ratification of Proposed Transaction 1 is not approved, Pearl will be required to undertake a Buy-Back, which would require Pearl to expend at least \$977,500 in funding the Buy-Back (refer section 1.1). This would therefore impede or delay Pearl's ability to use the funds for its original purpose of funding Pearl's working capital and capital expenditure requirements. A Buy-Back would also delay Pearl's ability to improve its working capital, financial and going concern positions.

In addition, if a Buy-Back is required then this could slow Pearl's plans to expand towards six TDUs at its existing Stapylton site. Taking into account the current uncertain market environment due to the global COVID-19 pandemic, finding alternative sources of funding may be challenging.

Based on the matters above, there are sufficient reasons for the shareholders of Pearl to vote in favour of the ratification of Proposed Transaction 1 and therefore **we have concluded that Proposed Transaction 1 was reasonable** to the shareholders of Pearl.

3.2.2. Assessment of Reasonableness of Proposed Transaction 2

In accordance with RG 111, a related party and control transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

In forming our opinion we have considered the following relevant factors (see section 12):

Advantages	Disadvantages
<ul style="list-style-type: none"> • Access to funds to support the expansion of Pearl's current facility including the construction of a fourth TDU; • Access to funds for costs required for the ongoing expansion of production and working capital; • No overall net change to ROC's voting power; • ROC's demonstration of ongoing support; • ROC has no current intentions to make any significant changes to Pearl; • ROC will not be receiving selective treatment under Proposed Transaction 2; and • ROC's voting power could act as a blocking stake to prevent another shareholder from compulsory acquisition of Pearl. 	<ul style="list-style-type: none"> • Increased risk of restriction on ordinary and special resolutions as a result of ROC's increased shareholding; and • Dilution of existing shareholders' interest.

The Directors have advised us that, if Proposed Transaction 2 does not proceed, alternative funding would have to be secured to fund the expansion of Pearl's current facility (including the construction of a fourth TDU), and to fund costs required for the ongoing expansion of production and costs required for its working capital. Taking into account the current uncertain market environment due to the global COVID-19 pandemic, finding alternative sources of funding may be challenging.

If Proposed Transaction 2 does not proceed, this will also slow the Company's plans to construct its fourth TDU and to expand its current facility at Stapylton, Queensland, as the Company will need to seek alternative funding. This will also reduce the Company's ability to fund costs required for the ongoing expansion of production and to fund its working capital. Without the opportunity to increase the production capacity, the Company would not be able to optimise delivery or revenue from the Asphalt offtake agreement.

Based on the matters above, and, in the absence of higher offers for Pearl Shares under the June Placement, there are sufficient reasons for the shareholders of Pearl to vote in favour of Proposed Transaction 2 and therefore **we have concluded that Proposed Transaction 2 is reasonable** to the non-associated shareholders of Pearl.

3.3. Opinions

3.3.1. Opinion on Proposed Transaction 1

Accordingly, in our opinion, Proposed Transaction 1 was not fair but reasonable to the shareholders of Pearl.

The ultimate decision on whether to approve the ratification of Proposed Transaction 1 should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Meeting, and consider their own specific circumstances before voting in favour of or against the ratification of Proposed Transaction 1.

3.3.2. Opinion on Proposed Transaction 2

Accordingly, in our opinion, Proposed Transaction 2 is not fair but reasonable to the non-associated shareholders of Pearl.

The ultimate decision on whether to approve Proposed Transaction 2 should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Meeting, and consider their own specific circumstances before voting in favour of or against Proposed Transaction 2.

Yours faithfully

Nexia Perth Corporate Finance Pty Ltd (AFSL 289358)



Muranda Janse van Nieuwenhuizen CA RCA
Authorised Representative

STRUCTURE OF REPORT

Our Report is set out under the following headings:

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4. BASIS OF EVALUATION

RG 74, RG 76 and RG 111 provides guidance as to matters that should be considered in determining whether a transaction is fair and reasonable in a range of circumstances.

RG 74, RG 76 and RG 111 state that in deciding an appropriate form of analysis, the expert needs to consider that the main purpose of the Report is to deal with the concerns that could reasonably be anticipated by those persons affected by the transaction. An expert should focus on the purpose and outcome of the transaction; that is the substance of the transaction, rather than the legal mechanism used to effect the transaction.

RG 111 requires analysis of a transaction under two distinct criteria being:

- is the offer 'fair'?; and
- is it reasonable?

The opinion of fair and reasonable is not considered as a compound phrase.

4.1. Basis of Evaluation for Proposed Transaction 1

Proposed Transaction 1 was a related party transaction in accordance with RG 76 and RG 111, and was not a control transaction in accordance with RG 74 and RG 111. In determining what is fair and reasonable for a related party transaction, RG 111 states that:

- a proposed related party transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- a proposed related party transaction is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes there are sufficient reasons for members to vote for the proposal.

RG 111 also states that in valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transactions.

For the purpose of considering whether or not Proposed Transaction 1 was fair to the shareholders of Pearl, we have compared the fair value of each Share issued to ROC under Proposed Transaction 1 to the consideration received by Pearl in return for each Share issued to ROC under Proposed Transaction 1.

In our assessment of the reasonableness of Proposed Transaction 1, our consideration has included the following matters:

- the financial situation and solvency of Pearl;
- the provision of new capital for Pearl to exploit business opportunities;
- a reduction in debt and interest payments;
- a needed injection of working capital for Pearl;
- any opportunity costs;
- the alternative options available to Pearl and the likelihood of those options occurring;
- Pearl's bargaining position;
- whether there is selective treatment of ROC;
- any special value of the transaction to ROC;
- the liquidity of the market in Pearl's securities; and
- other significant matters set out in section 11.

4.2. Basis of Evaluation for Proposed Transaction 2

Proposed Transaction 2 is as a related party and control transaction in accordance with RG 74, RG 76 and RG 111. In determining what is fair and reasonable for a related party and control transaction, RG 111 states that:

- an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made
 - assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
 - assuming a 100% ownership of the target and irrespective of whether consideration is cash or scrip; and
- an offer is reasonable if it is fair, or if the offer is not fair, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

When considering the value of the securities subject of the offer in a control transaction, it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest and so the expert should consider this value inclusive of a control premium.

For the purpose of considering whether or not Proposed Transaction 2 is fair to the shareholders of Pearl, we have compared the fair value of a Pearl Share on a control basis before Proposed Transaction 2 to the fair value of a Pearl Share on a minority basis after Proposed Transaction 2.

In our assessment of the reasonableness of Proposed Transaction 2, our consideration has included the following matters:

- ROC's pre-existing voting power in securities in Pearl;
- other significant security holding blocks in Pearl;
- whether there is selective treatment of ROC;
- any special value of the transaction to ROC;
- taxation losses, cash flow or other benefits through achieving 100% ownership of Pearl;
- the financial situation and solvency of Pearl;
- the provision of new capital for Pearl to exploit business opportunities;
- a reduction in debt and interest payments;
- a needed injection of working capital for Pearl;
- any opportunity costs incurred as a result of Proposed Transaction 2 not proceeding;
- the liquidity of the market in Pearl's securities;
- the likely market price if Proposed Transaction 2 does not proceed;
- the value to an alternate bidder and the likelihood of an alternative offer being made;
- Pearl's bargaining position;
- the alternative options available to Pearl and the likelihood of those options occurring; and
- other significant matters set out in section 12.

4.3. Individual Shareholders' Circumstances

The ultimate decision whether to approve the Proposed Transactions should be based on each shareholder's assessment of the Proposed Transactions, including their own risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transactions or matters dealt with in this Report, shareholders should seek independent professional advice.

4.4. Limitations on Reliance on Information

The documents and information relied on for the purposes of this Report are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that documents and material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transactions is fair and reasonable to the shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose.

We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

An important part of the information used in forming an opinion of the kind expressed in this Report is the opinions and judgement of Directors and management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

NPCF are not the auditors of Pearl. We have analysed and reviewed information provided by the Directors and management of Pearl and made further enquiries where appropriate. Preparation of this Report does not imply that we have in any way audited the accounts or records of Pearl.

In forming our opinion we have assumed:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Notice of Meeting to be sent to shareholders is complete, accurate and fairly represented in all material respects; and
- the publicly available information relied upon by NPCF in its analysis was accurate and not misleading.

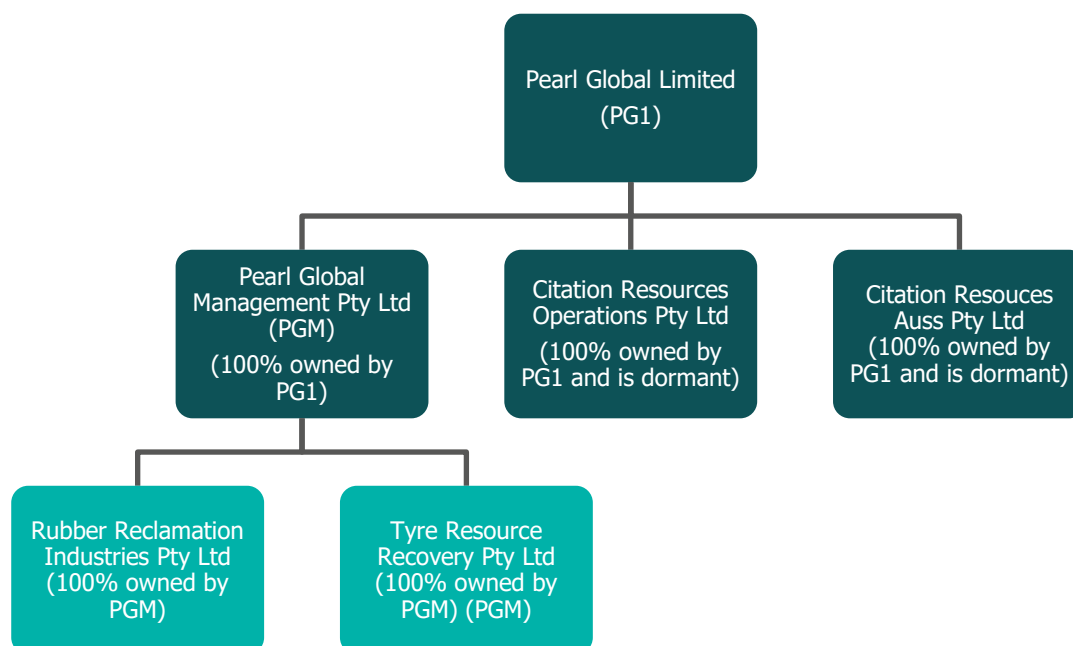
This Report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this Report which may impact upon this Report or which may impact upon the assumptions referred to in the Report.

5. OVERVIEW OF PEARL

5.1. Corporate History

Pearl was founded in 2006 as a private company and its shares have been listed on the ASX since February 2018 (ASX code: PG1). Pearl owns all the issued capital of the entities within the Pearl Group, either directly or indirectly.

Pearl's corporate group structure include the following entities:



Source: 30 June 2019 Pearl's Annual Report and per ASIC extracts obtained in April 2020

5.2. Operations

5.2.1. Overview

Pearl is a leading Australian waste technology Company that utilises its exclusively licensed proprietary technology to address the problem of tyre waste and storage in an environmentally friendly manner.

Pearl holds Australia's first environmental approvals for the thermal treatment of rubber. The Company is in its first operational phase and made its first commercial sales from its production facility located in Stapylton, Queensland. The 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. Pearl is also the only licenced company under the respective States' environmental regulator (Queensland Department of Environment and Heritage) that is operating commercially.

During the half-year ended 31 December 2019, Pearl acquired Australian Tyre Processors Pty Ltd ("ATP") and successfully integrated the two operations. Pearl is in the process of ramping up its operations, processing in excess of 2,000 tonnes of waste tyres during the half year period ended 31 December 2019 and processing 3,000 tonnes of used tyres in the last 12 months to May 2020.

In January 2020, Pearl's corporate office relocated from Perth to the Stapylton site in Queensland. Executive Directors, Mr Drennan and Mr Foster, also relocated to Queensland to better oversee operations and drive the business and its plans for expansion.

The operations run three thermal desorption units ("TDUs") but the facility can accommodate up to six TDUs. The completion and commissioning of Pearl's third TDU ("TDU3") was delayed from the March 2020 quarter to the June 2020 quarter due to a delay of components ordered from China as a result of the COVID-19 pandemic (refer to section 5.2.6 for more information of the impact of COVID-19). TDU3 has been fully operational since June 2020.

On 30 April 2020, the Company released its quarterly results for the quarter ended March 2020 and highlighted that there had been continued growth in customers' receipts from \$543,000 to \$634,000 for the quarter. The increase was a result of higher fuel sales to overseas markets and an increase in the collection of used tyres.

Also during the quarter, the business experienced planned downtime in order to prepare for the commissioning of TDU3 which included training of new operators, implementation of improved operator safety procedures and improvement in process and materials handling. As a result, the Company converted 632 tonnes of tyres during the quarter ending 31 March 2020, compared to 1,169 tonnes in the previous quarter. Seasonal rainfall in the Gold Coast seaway region in January and February also contributed to the lower production volumes since Pearl's production process takes place in an open environment and only dry tyres can be treated in the thermal desorption process.

Management indicated that, since the March 2020 quarter, production volumes have increased as expected.

Pearl's business model schematic is as follows:



Source: 30 June 2019 Annual Report

5.2.2. Product

Pearl's process converts 100% of disposed tyres into the following valuable products:

- Fuel Oils;
- Steel; and
- Carbon Char.

The potential for converting energy from clean gases is in the process of being verified by the Company.

5.2.3. Customers

The Company entered into a 5 year offtake agreement with Aussee Road Services Pty Ltd, with commissioning commencing from 1 May 2020 to supply Pearl's fuels and carbon char products to Aussee's asphalt production process. There is a 3 month trial and commissioning period to test the viability of Pearl's products. Under the agreement Pearl will sell its asphalt products exclusively to Aussee in Queensland but is not limited from selling its products to other industries or geographies. The Aussee offtake agreement also does not include the sale of recycled steel and the collection fee received on waste tyres used in the recycling process.

Aussee is a joint venture between See Group of Queensland and Austek Asphalt Services Pty Ltd. See Group has three key businesses, being civil construction and engineering services, quarry solutions, and integrated concrete solutions. Each See Group business exists to play a key role in delivering the civil construction and material needs of their projects, creating complete construction solutions for their clients.

The role of Pearl will be to provide high volumes of its raw fuels and carbons to Aussee in a form suitable for the company to utilise in the manufacturing of asphalt.

5.2.4. Suppliers

Pearl's supply chain is sourced from used tyres, which is considered waste.

There are approximately 56 million tyres discarded annually in Australia of which approximately 10% are recycled. The rest are either exported overseas or disposed to landfill, stockpiled and illegally dumped (source: Tyre Stewardship Australia website).

Pearl has a diversified mix of tyre collection customers including commercial and heavy industrial industry customers and carries at least four weeks of supply for tyre processing.

Refer to section 5.2.6 where the impact of COVID-19 on the Company's supply chain is discussed.

5.2.5. Growth Opportunities and Strategy

The Company has been operating with three TDUs (with TDU3 being currently commissioned and expected to be fully operational by July 2020). The Company is continuing to ramp up processing of recycled tyres and is planning to raise capital to further build-out its facility at Stapylton (which has capacity for six TDUs) with expenditure to be targeted for a construction of a fourth TDU, according to the Company's ASX announcements on 10 June 2020.

In terms of the Aussee offtake agreement (refer section 5.2.3), estimated ultimate quantities required by Aussee are up to 10,000 tonnes per annum of Pearls' raw fuels and up to 7,000 tonnes per annum of Pearl's carbon char. The amount that would be supplied to Aussee is dependent on Pearl's production capacity and the ultimate demand from Aussee would support the production from its planned six TDUs.

Pearl claims to be 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.

The Company announced on 30 April 2020, that, 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 to 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.

5.2.6. Impact of Coronavirus (COVID-19)

In January 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Company, COVID-19 may impact various parts of its 2020 operations and financial results. Management assessed the impact of COVID-19 on the Company and issued an announcement to the ASX on 31 March 2020, with a further update on 30 April 2020, highlighting the following:

- *Delay in delivery of components from China for completion of TDU3*
The delivery of certain components of TDU3 was delayed however all components have been delivered and the commissioning process commenced in June 2020.
- *Tyre collections are slowing*
As a result of the current COVID-19 pandemic, retail tyre store businesses have slowed resulting in fewer used tyres being disposed. However due to the diversified mix of tyre collection customers and it the business carrying four weeks of supply, which reduces the risk of being short supplied. The Company also advised that ATP has been working diligently to source a balance of retail and industrial type tyre collections and it is expected that any drop in collections should be minimized.
- *Operations staff*
Precautionary measures had been taken to reduce the risk of the health of the Company's workers. 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.
- *Impact on revenue*
While the Company has achieved volume growth, there had been lower throughput volumes for the quarter ended March 2020. However, since the end of the March 2020 quarter, Pearl's production volumes have improved. More recently, lower demand from some overseas markets has been experienced, due to slower shipping processes and Covid-19 impacts of the Company's overseas users. Further, Aussee has experienced delays in the commissioning of their Asphalt plant, and whilst it is still expected that commissioning under the Pearl-Aussee Agreement will be completed within the three-month time frame first set, further commissioning delays may be impacted.
- *Financing of equipment and bank guarantees*
Banks have taken a more circumspect approach toward providing finance and what they require as security for financing, making financing for equipment harder to obtain. As a result the Company is examining alternative financing arrangements for the purpose of equipment.

5.3. **Keshi Call Option**

Pearl currently holds the perpetual exclusive worldwide rights to use and exploit IP owned by Keshi Technologies Pty Ltd ("Keshi") which underpins Pearl's operations ("Keshi Call Option").

On 11 April 2019, the Keshi shareholders made a written offer to the Company to grant the Company a call option agreement between the Company and all of the Keshi shareholders pursuant to which the Keshi shareholders agreed to sell their Keshi shares in exchange for Pearl Shares, in each case exercisable at any time before the expiry date. Accordingly, the Keshi Call Option came into effect on 8 June 2019 and it expires in June 2021.

NPCF understand that up to the date of Proposed Transaction 1 (31 March 2020), the Board had not yet discussed any details of when the Keshi Call Option may be executed from a timing perspective. The Company has subsequently advised (as part of Pearl's investor presentation announced on the ASX on 10 June 2020), that it has engaged its legal advisors to assess the process of rolling in 100% of the IP into Pearl.

Pearl has advised that once the assessment of the process is finalised, the Company will present its understanding of the stepped process to ASX prior to presenting to the Board for its determination. Any proposed transaction in this respect will be presented to shareholders, allowing them to vote on that transaction in accordance with Corporations Act and ASX Listing Rules.

As such, for the purposes of the Report, we have considered that the Keshi Call Option would have had, and will have, no impact on the Proposed Transactions as outlined in section 1. The Keshi Call Option has therefore not been further dealt with in this Report.

5.4. Directors and Key Management

Following is a table of the Key Management Personnel of Pearl:

Gary Foster	Executive Chairman
Andrew Drennan	Managing Director
Brian Mumme	Non-executive Director
Michael Barrett	Non-executive Director
Brad Mytton	Non-executive Director (also a Partner with ROC)
Bert Huys	Chief Technology Officer

Phillip MacLeod is the Company Secretary.

5.5. Financial Information

Set out below are the audited consolidated financial statements of Pearl for the years ended 30 June 2017, 2018 and 2019 ("FY 2017", "FY 2018" and "FY 2019" respectively), and the reviewed consolidated financial statements for Pearl for the six months ended 31 December 2019 ("HY 2020").

The 2018 figures were restated, as noted in the audited consolidated financial statements of Pearl for FY 2019, to correct an option valuation in respect of the recapitalisation of the Company. As such all figures relating to "FY 2018" relates to the figures as restated in the FY 2019 audited consolidated financial statements.

The audit reports for FY 2018, FY 2019 and HY 2020 were unqualified and/or with no exceptions noted, however they contained an emphasis of matter in all financial periods regarding the Company's ability to continue as a going concern. It is noted in the financial statements that Pearl is increasing sales, ramping up production and aligning with the Company's growth planning, these steps should enable the Company to rely on accessing capital either by way of debt financing and/or capital raising if required to further support its ongoing operations and strategies.

In addition, the audit report for FY 2019 contained key audit matters ("KAMs") with regards to capitalised intellectual property ("IP") costs / development assets and research and development tax incentives due to the subjectivity involved and judgments required in calculation and recognition of those items.

The audit report for FY 2018 also contained KAMs with regards to a reverse acquisition (where Citation Resources Limited acquired 100% of Pearl's Shares, resulting in Pearl obtaining control of Citation Resources Limited) and capitalised IP costs in relation to the worldwide licensing rights for the TDUs.

No KAMs were reported in relation to HY 2020 as KAMs are only reported in relation to full year audited financial statements.

Pearl's financial information is detailed as follows in sections 5.5.1, 5.5.2 and 5.5.3:

5.5.1. Financial Performance

Set out in the table below is the summary of the audited consolidated profit and loss accounts of Pearl for FY 2017, FY 2018 and FY 2019, and the reviewed consolidated profit and loss accounts for Pearl for HY 2020.

\$	Notes	FY 2017 ² Audited	FY 2018 Audited	FY 2019 Audited	HY 2020 Reviewed
Revenue from customers		6,764	2,000	173,226	1,092,943
Revenue from R&D		-	1,265,084	554,549	-
Other Income		9,224	11,317	140,063	52,999
Total Revenue	3	15,988	1,278,401	867,838	1,145,942
Operating Expenses:		(781,785)	(933,915)	(1,748,546)	(1,708,395)
Employee benefit expense		(220,909)	(614,821)	(1,079,225)	(718,807)
Other expenses		(1,213,079)	(1,950,924)	(2,037,594)	(1,015,165)
EBITDA	4	(2,199,785)	(2,221,259)	(3,997,527)	(2,296,425)
Depreciation and amortisation		(206,250)	(363,558)	(583,287)	(576,413)
EBIT	4	(2,406,035)	(2,584,817)	(4,580,814)	(2,872,838)
Interest expense		(197,670)	(11,871)	(10,709)	(22,090)
Listing cost/investment cancellation	2	(3,300,000)	(884,511)	-	-
Share based payment		-	(680,113)	-	-
Profit from ordinary activities before income tax expense		(5,903,705)	(4,161,312)	(4,591,523)	(2,894,928)
Income tax expense		(469,379)	(558,945)	(118,531)	(270,818)
Net loss from ordinary activities		(6,373,084)	(4,720,257)	(4,710,054)	(3,165,746)
Key ratio's					
Revenue from customers growth from prior year/period	3	*1	-70%	*1	531%
Increase in operating expenditure		*1	n/a	-56%	-100%
Employee benefit expense		*1	23%	*1	-62%
EBITDA margin	4	*1	-174%	-461%	-200%
EBIT margin	4	*1	-202%	-528%	-251%
Net loss as % of revenue	4	*1	-369%	-543%	-276%

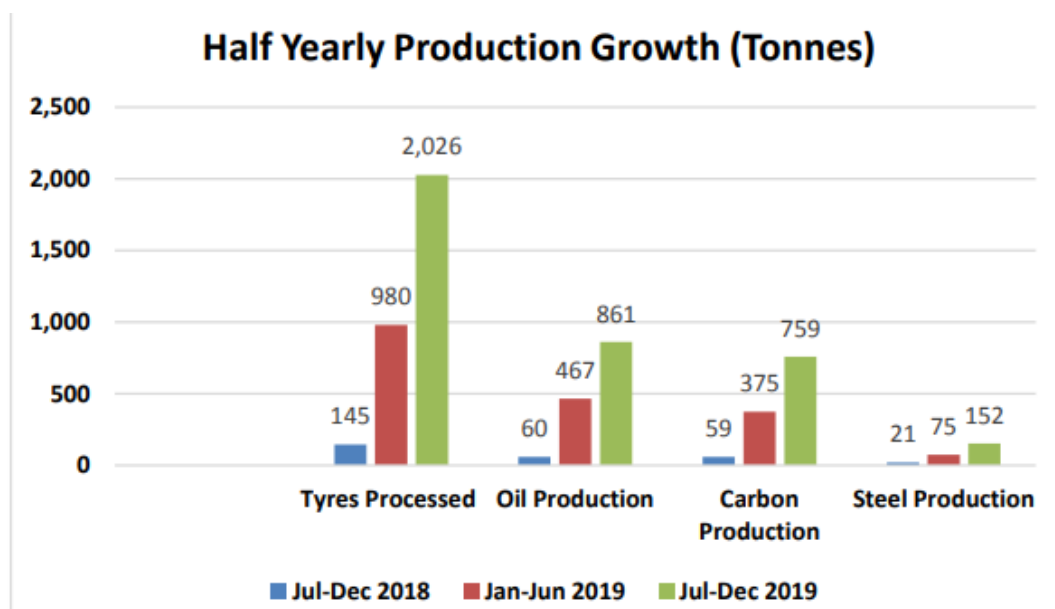
Source: NPCF analysis, Pearl's 30 June 2018 and 2019 audited financial statements, and 31 December 2019 reviewed half-year financial statements

The table above should be read in conjunction with the following notes:

1. Values indicated with an asterisk (*) indicate that either the values are not relevant or that the % exceeds 1,000%.
2. A reverse acquisition occurred in FY 2017, in which Pearl Global Management Pty Ltd (formerly Pearl Global Pty Ltd) acquired Pearl Global Limited (formerly Citation Resources Ltd). This gave rise to the \$3.3 million listing cost / investment cancellation cost.
3. Revenue

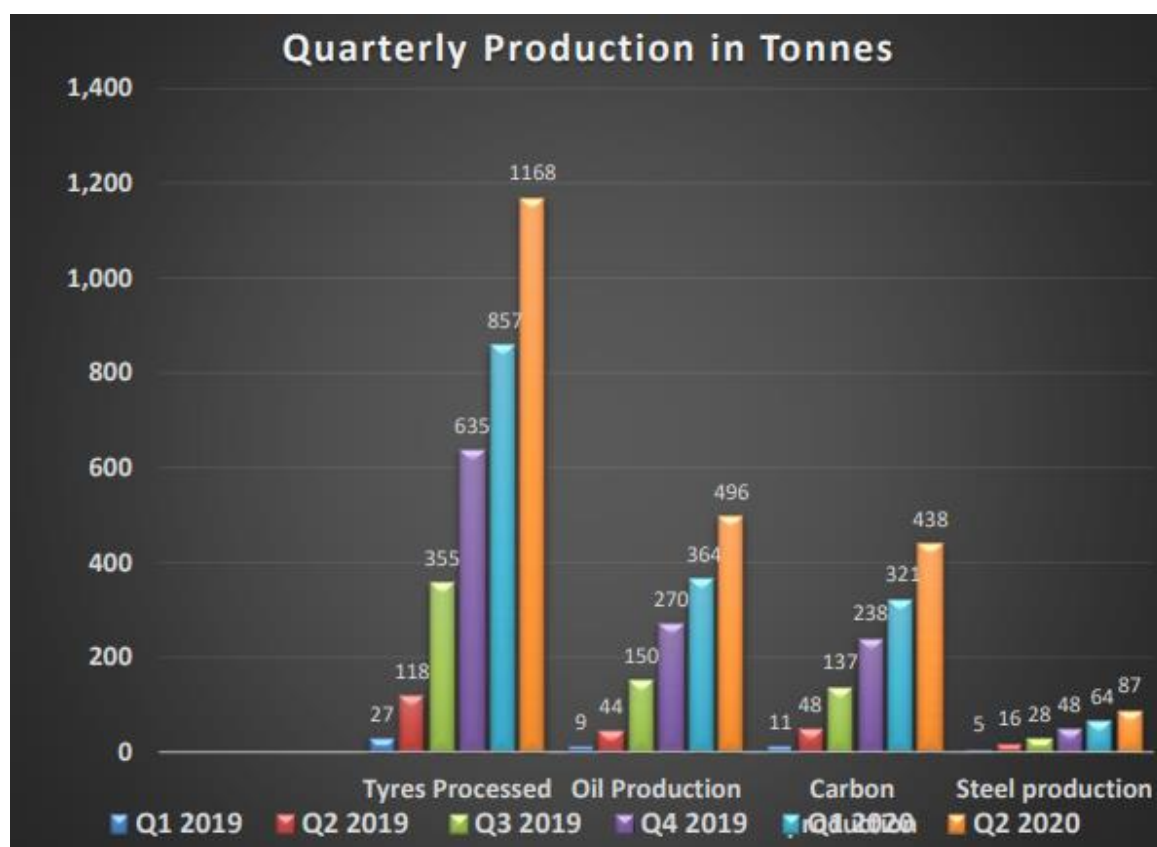
Whilst the Company has earned revenue of \$1,278,401 and \$867,838 for the FY 2018 and FY 2019 financial years respectively, we note that the main sources of revenue had been Research and Development ("R&D") tax refunds and income from the sub-lease of leased premises. Revenue from customers was only \$2,000 and \$173,266 in FY 2018 and FY 2019, respectively.

During the six months period ended 31 December 2019, Pearl continued to successfully ramp up its operations, processing in excess of 2,000 tonnes of waste tyres compared to 980 tonnes in the six months prior, as indicated in the "Half Yearly Production Growth (Tonnes)" chart below, showing over a 50% growth in production:



Source: Pearl's 31 December 2019 interim financial report

Revenue for HY 2020 has increased significantly to \$1,092,943 as production capacity increased. Refer to Quarterly production in Tonnes chart below, showing quarterly increased production in tonnes from 1 July 2019 (Q1 2019) to 31 December 2019 (Q2 2020):



Source: Appendix 4C – quarterly report for Pearl, as announced on the ASX on 30 April 2020

4. The Company is still running at negative EBIT as well as negative EBITDA as it has only recently entered into the commercialisation phase and is in the process of ramping up its production capacity. As a result of increased activity due to the commission of two TDUs at Stapylton during the December 2018 quarter, expenditure has increased from FY 2017 to FY 2019 and continued increasing into the first half of FY 2020. This includes maintenance, fuel & power and insurance expenses.

The EBITDA% and EBIT% margins were inconsistent for FY 2017 to FY 2019. However, there is a decrease in the negative margins from FY 2019 to HY 2020 as a result of the increased revenue.

5.5.2. Cash Flow Statements

Set out below is the summary of the audited consolidated cash flow statements of Pearl for FY 2017, FY 2018 and FY 2019 and the reviewed consolidated cash flow statement for Pearl for HY 2020:

\$	Note	FY 2017 ¹ Audited	FY 2018 Audited	FY 2019 Audited	HY 2020 ^{2, 5} Reviewed
EBITDA		(2,199,785)	(2,233,131)	(3,995,254)	***
<i>Movement in working capital:</i>					
(Increase)/decrease in trade and other debtors	3	967,167	(1,004,004)	233,265	***
Increase/(decrease) in trade and other creditors		245,959	(233,120)	224,634	***
Operating cash flows		(986,659)	(3,470,255)	(3,537,355)	(2,426,927)
Purchase of property, plant and equipment	4, 5	(611,298)	(1,861,026)	(26,461)	(1,161,974)
Payments for development asset		(27,295)	(196,628)	(890,073)	-
Deposits and Bonds		-	-	-	(110,804)
Investment in subsidiary net of cash acquired	6	-	-	-	(427,869)
Cash acquired for acquiring Pearl		-	213,185	-	-
Net cash flows before financing activities		(1,625,252)	(5,314,724)	(4,453,839)	(1,700,647)
Proceeds from issue of shares	7	-	6,750,000	7,135,500	-
Proceeds from issue/exercise of Options		-	4,527	-	-
Share / Options issue costs		-	(363,000)	(88,140)	-
Payment for cancellation of investment	1	(3,300,000)	-	-	-
Proceeds from issue of convertible notes	7	2,995,000	750,000	-	-
Proceeds from borrowings	7	1,175,000	263,000	256,937	20,928
Repayment of borrowings	7	-	(472,136)	(156,937)	-
Repayment of lease principal		-	-	-	(62,870)
Borrowing costs	7	(197,670)	(11,871)	(10,709)	-
Net cash flows after financing activities		(952,922)	1,605,796	2,682,762	(41,942)
Opening cash balance		2,074,561	1,121,639	2,727,438	5,410,200
Net cash flows		(952,922)	1,605,796	2,682,762	(4,169,516)
Closing cash balance		1,121,639	2,727,438	5,410,200	1,240,684

Source: Pearl's 30 June 2017, 2018, 2019 audited financial statements and 31 December 2019 reviewed interim financial statements

The table above should be read in conjunction with the following notes:

1. A reverse acquisition occurred in FY 2017, in which Pearl Global Management Pty Ltd (formerly Pearl Global Pty Ltd) acquired Pearl Global Limited (formerly Citation Resources Ltd). This gave rise to the \$3.3 million listing cost / investment cancellation payment.
2. Values indicated with an asterisk (*) indicate that the information was not required to be disclosed for HY 2020, being a half-year period. In any case, the acquisition of ATP during the half-year would likely make the cash flow movements not comparable to the FY 2017 to FY 2019 periods.
3. The fluctuation in trade and other debtors is attributable to the fluctuation in GST and R&D tax benefit receivables over the 3 years.
4. The increase in purchase of property, plant and equipment in FY 2018 is due primarily to the Group's commitment to purchase a TDU unit from Keshi for \$1.25 million.
5. The payments for the purchase of property, plant and equipment during HY 2020 include a deposit for Pearl's third TDU of \$640,000, payments to upgrade Pearl's first and second TDUs (totalling \$150,680) and a payments to purchase an excavator (\$231,458).
6. During HY 2020 (according to Note 2(i) and 2(ii) of the reviewed financial statements), 100% of the ordinary shares of ATP was acquired and as part of the transaction, Pearl assumed 100% of the assets and liabilities with the net cash impact being a cash outflow of \$427,869.
7. During FY 2018 and FY 2019, the Company completed capital raising activities and obtained equity investments from strategic partners to raise \$13.9 million over the 2 years. Convertible notes were also issued in FY 2017 and FY 2018 to raise a further \$3.7 million. Net proceeds from borrowings of approximately \$850,000 were also received over the 3 financial years.

Pearl has been operating at negative cash flows and has funded its operations and capital expenditure by means of raising capital and issuing debt instruments such as convertible notes, which have been settled by issuing Shares.

5.5.3. Statements of Financial Position

Set out below is the summary of the audited consolidated balance sheets of Pearl as at 30 June 2017, 2018 and 2019 ("FY 2017", "FY 2018" and "FY 2019" respectively), and the reviewed consolidated balance sheet of Pearl as at 31 December 2019 ("HY 2020"):

\$	Note	FY 2017 ² Audited	FY 2018 Audited	FY 2019 Audited	HY 2020 ³ Reviewed
Current assets					
Cash and cash equivalents		1,121,639	2,727,435	5,410,200	1,240,684
Trade and other receivables	3	62,551	981,555	592,745	832,850
Other current assets	3	-	85,000	97,680	358,790
Non-current assets					
Trade and other receivables		-	-	142,862	-
Property, plant & equipment	3	721,599	2,425,316	2,074,740	3,612,504
Development assets		985,235	1,205,570	2,095,642	2,095,642
Other intangible assets	3	1,306,250	1,100,000	893,750	1,507,092
Right-of use asset	4	-	-	-	3,096,615
Other non-current assets		-	-	-	672
Total assets		4,197,274	8,524,876	11,307,619	12,744,849

\$	Note	FY 2017 ² Audited	FY 2018 Audited	FY 2019 Audited	HY 2020 ³ Reviewed
Current liabilities					
Trade and other payables	3	664,798	340,312	433,102	617,124
Provisions		-	8,771	140,615	178,285
Other current liabilities		3,995,000	-	-	289,439
Leases	4	-	-	-	555,678
Non-current liabilities					
Borrowings	3	-	-	-	519,445
Leases	4	-	-	-	2,574,716
Deferred tax		469,379	1,028,325	1,146,855	1,427,841
Total liabilities		5,129,177	1,377,408	1,720,572	6,162,528
Net assets		(931,903)	7,147,468	9,587,047	6,582,321
Equity					
Issued capital		3,964,577	16,080,494	19,303,854	19,468,854
Options reserve		-	3,600	4,609,986	4,609,986
Accumulated losses		(4,896,480)	(8,936,626)	(14,326,793)	(17,496,519)
Total equity		(931,903)	7,147,468	9,587,047	6,582,321

Source: Pearl's 30 June 2017, 2018 and 2019 audited financial statements and 31 December 2019 reviewed interim financial statements

The table above should be read in conjunction with the following notes:

1. The net working capital position of the Company improved significantly over the last 3 years, from a deficit of \$3,475,608 as at 30 June 2017 and a deficit of \$3,444,907 as at 30 June 2018 to a surplus of \$5,526,908 as at 30 June 2019. However, the surplus declined again to \$715,429 as at 31 December 2019 mainly as a result of the acquisition of ATP (refer to note 3 below).
2. A reverse acquisition commenced in FY 2017 which concluded during FY 2018, in which Pearl Global Management Pty Ltd (formerly Pearl Global Pty Ltd) acquired Pearl Global Limited (formerly Citation Resources Ltd).
3. During the half-year ended 31 December 2019, on 15 August 2019, 100% of the ordinary shares of ATP was acquired and as part of the transactions, Pearl resumed 100% of the assets and liabilities. The fair value of the consideration was \$765,000, comprising \$165,000 worth of shares (1,500,000 shares at \$0.11 per share), \$300,000 paid in cash and an additional \$300,000 cash payment upon milestones being met. The net fair value of the assets and liabilities assumed was \$48,533 resulting in goodwill on acquisition of ATP at \$716,467. This amount is included in other intangible assets. The \$48,533 fair value of identifiable assets at acquisition, which was incorporated into the consolidated balance sheet on the date of acquisition was made up as follows:

	\$
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)
Net assets and liabilities assumed	\$48,533

4. AASB 16 *Leases* came into effect on 1 July 2019 and as a result, the leased warehouse and related facilities and office building were capitalised on the balance sheet. Accordingly, as at 31 December 2019, a Right of use asset of \$3,096,615 was capitalised as well as current lease liabilities of \$555,678 and non-current lease liabilities of \$2,574,716.
5. As at 30 June 2019, Pearl reported unrecognised tax losses of \$5,083,606 (FY 2018: \$4,826,521, FY 2017: \$597,159). The 31 December 2019 interim financial report did not disclose the tax losses as at that date.
6. Pearl has been operating at negative cash flows and has funded its operations and capital expenditure by means of raising capital and issuing debt instruments such as convertible notes, which have been settled by issuing Shares. Accordingly, the Company did not have any long term debt on their balance sheet for the last 3 financial year ends.
7. The Directors indicated that they are not aware of any other contingent liabilities or contingent assets of the Company.

5.6. Capital Structure and Ownership

Pearl's issued capital comprised the following as at the following dates:

Pearl's Issued Capital at	30 Mar 2020 ¹	31 Mar 2020 ²	17 Jun 2020 ³	Post Proposed Transaction 2 ⁴
Fully paid ordinary shares	215,134,117	226,634,117	251,192,350	298,062,689
Listed options	45,319,238	45,319,238	45,319,238	45,319,238
Unlisted options	21,685,039	21,685,039	2,000,000	2,000,000

Notes:

1. Pearl's issued capital as at 30 March 2020 reflects Pearl's issued capital before the issue of Tranche 2 March Placement Shares to ROC / Proposed Transaction 1.
2. Pearl's issued capital as at 31 March 2020 reflects Pearl's issued capital immediately after Proposed Transaction 1.
3. Pearl's issued capital as at 17 June 2020 reflects Pearl's issued capital subsequent to Proposed Transaction 1 and after the issue of Tranche 1 June Placement Shares on 17 June 2020.
4. This reflects what Pearl's issued capital will be after the issue of Tranche 2 June Placement Shares (which includes Proposed Transaction 2).

5.6.1. Fully Paid Ordinary Shares

The top 10 shareholders of Pearl as at 30 March 2020 (pre Proposed Transaction 1), 31 March 2020 (post Proposed Transaction 1) and 17 June 2020 (pre Proposed Transaction 2) are set out below:

Shareholder	Notes	30 March 2020 (pre Proposed Transaction 1)		31 March 2020 (post Proposed Transaction 1)		17 June 2020 (pre Proposed Transaction 2)	
		Shareholding	% Total	Shareholding	% Total	Shareholding	% Total
Perpetual Corporate Trust Ltd <First State Super Scheme>	1	39,370,078	18.30%	39,370,078	17.37%	39,370,078	15.67%
Bretnall Custodians Pty Ltd <Foster Family A/C>		19,690,845	9.15%	19,690,845	8.69%	19,690,845	7.84%
Mr Andrew Drennan <Drennan Family A/C>		13,871,183	6.45%	13,871,183	6.12%	13,871,183	5.52%
Perpetual Corporate Trust Ltd <Roc ESPET>	1	-	-	11,500,000	5.07%	11,500,000	4.58%
Capricorn Society Limited		8,858,696	4.12%	8,858,696	3.91%	8,858,696	3.53%
BNP Paribas Nominees Pty Ltd <IB Au Noms Retail Client DRP>		8,338,725	3.88%	8,338,725	3.68%	8,117,004	3.23%
Kedo (Aust) Pty Ltd		7,965,554	3.70%	7,965,554	3.51%	7,965,554	3.17%
Westedge Investments Pty Ltd <The PMB Fund A/C>		5,877,684	2.73%	5,877,684	2.59%	5,877,684	2.34%
Carroll Engineering Investments Pty Ltd <Carroll Engineering A/C>		4,666,667	2.17%	4,666,667	2.06%	4,666,667	1.86%
United Trolley Collections P/L		4,442,941	2.07%	4,442,941	1.96%	4,442,941	1.77%
Top ten shareholders		113,082,373	52.56%	124,582,373	54.97%	124,360,652	49.51%
Other		102,051,744	47.44%	102,051,744	45.03%	126,831,698	50.49%
Total shareholders		215,134,117	100.00%	226,634,117	100.00%	251,192,350	100.00%

Source: Pearl's share registry as at 30 March 2020, 31 March 2020 and as at 17 June 2020

Notes:

1. ROC's shareholding, when compared to other shareholdings in Pearl (pre and post Proposed Transaction 1) is shown below:

Shareholder	30 March 2020 (pre Proposed Transaction 1)		31 March 2020 (post Proposed Transaction 1)	
	Share Number	%	Share Number	%
Perpetual Corporate Trust Ltd <First State Super Scheme>	39,370,078	18.30%	39,370,078	17.38%
Perpetual Corporate Trust Ltd <Roc ESPET>	-	-	11,500,000	5.07%
Total ROC shareholdings	39,370,078	18.30%	50,870,078	22.45%
Other shareholdings	175,764,039	81.70%	175,764,039	77.55%
Total	215,134,117	100.00%	226,634,117	100.00%

2. After the issue of Tranche 2 June Placement Shares (as outlined in section 1.2 and subject to shareholder approval), and assuming that the ratification of Proposed Transaction 1 is approved, ROC's shareholdings will increase back to 22.45%, as shown in the table below:

Shareholder	17 June 2020 (pre Proposed Transaction 2)		Post Proposed Transaction 2	
	Share Number	%	Share Number	%
Perpetual Corporate Trust Ltd <First State Super Scheme>	39,370,078	15.67%	39,370,078	13.21%
Perpetual Corporate Trust Ltd <Roc ESPET>	11,500,000	4.58%	11,500,000	3.86%
Issue to ROC under Tranche 2 June Placement	-	-	16,032,790	5.38%
Total ROC shareholdings	50,870,078	20.25%	66,902,868	22.45%
Other shareholdings	200,322,272	79.75%	231,159,821	77.55%
Total	251,192,350	100.00%	298,062,689	100.00%

3. If the ratification of Proposed Transaction 1 is not approved and the Buy-Back is approved, resulting in the Tranche 2 March Placement Shares being bought back (i.e. and cancelled), ROC's shareholding will decrease as per the table below:

Shareholder	17 June 2020 (pre Proposed Transaction 2)		Post Buy-Back / Pre Proposed Transaction 2		Post Proposed Transaction 2	
	Share Number	%	Share Number	%	Share Number	%
Perpetual Corporate Trust Ltd <First State Super Scheme>	39,370,078	15.67%	39,370,078	16.43%	39,370,078	13.74%
Perpetual Corporate Trust Ltd <Roc ESPET>	11,500,000	4.58%	-	-	-	0.00%
Issue to ROC under Tranche 2 June Placement	-	-	-	-	16,032,790	5.59%
Total ROC shareholdings	50,870,078	20.25%	39,370,078	16.43%	55,402,868	19.33%
Other shareholdings	200,322,272	79.75%	200,322,272	83.57%	231,159,821	80.67%
Total	251,192,350	100.00%	239,692,350	100.00%	286,562,689	100.00%

4. If the ratification of Proposed Transaction 1 and the Buy-Back are both not approved, resulting in the Tranche 2 March Placement Shares being sold on-market, ROC's shareholding will decrease as per the table below:

Shareholder	17 June 2020 (pre Proposed Transaction 2)		Post Breach Shares Sold on Market		Post Proposed Transaction 2	
	Share Number	%	Share Number	%	Share Number	%
Perpetual Corporate Trust Ltd <First State Super Scheme>	39,370,078	15.67%	39,370,078	15.67%	39,370,078	13.21%
Perpetual Corporate Trust Ltd <Roc ESPET>	11,500,000	4.58%	-	0.00%	-	0.00%
Issue to ROC under Tranche 2 June Placement	-	-	-	0.00%	16,032,790	5.38%
Total ROC shareholdings	50,870,078	20.25%	39,370,078	15.67%	55,402,868	18.59%
Other shareholdings	200,322,272	79.75%	211,822,272	84.33%	242,659,821	81.41%
Total	251,192,350	100.00%	251,192,350	100.00%	298,062,689	100.00%

The table below summarises Pearl's current shareholders by size of shareholding:

Range	No. of holders	Shares	% Total
1 – 1,000	1,124	124,581	0.05%
1,001 – 5,000	170	473,948	0.19%
5,001 – 10,000	145	1,148,518	0.46%
10,001 – 100,000	350	14,337,942	5.71%
100,001 and over	230	235,107,361	93.60%
Total	2,019	251,192,350	100.00%

Source: Pearl's share registry as at 17 June 2020

5.6.2. Options

5.6.2.1. Listed Options

The top 10 listed option holders as at 30 March 2020 held 64.47% of Pearl's listed options and are set out below:

Listed option holder	Option holding	% Total
DWB Venture Holdings Pty Ltd	15,000,000	33.10%
Mr Paul Edgar <Paul Edgar Family Account>	3,500,000	7.72%
Modeville Pty Ltd <Apache A/C>	1,975,000	4.36%
KM Custodians Pty Ltd	1,750,000	3.86%
Mick Carroll Super Fund Pty	1,500,000	3.31%
Michael Bernard Brennan	1,250,000	2.76%
Capricorn Society Limited	1,250,000	2.76%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	1,144,207	2.52%
Thor Holdings Pty Ltd	1,000,000	2.21%
S and M Fitzpatrick Pty Ltd <S& M Fitzpatrick Family A/C>	850,000	1.88%
Top ten listed option holders	29,219,207	64.47%
Other	16,100,031	35.53%
Total listed option holders	45,319,238	100.00%

Source: Pearl's listed option registry as at 30 March 2020 and 31 March 2020

Pearl's 45,319,238 listed options are exercisable at \$0.30 and expire on 24 January 2021.

ROC did not (and still does not) hold any listed options in Pearl.

There were no material changes to the number or holdings of Pearl's listed options since 30 March 2020.

5.6.2.2. Unlisted Options

ROC previously held 19,685,039 unlisted options in Pearl, which were exercisable at \$0.24 each. These unlisted options expired on 12 June 2020.

The remaining 2,000,000 unlisted options in Pearl are held by two of Pearl's directors, Victor Turco and Michael Barrett. These unlisted options are exercisable at \$0.191 each and expire on 13 June 2022.

5.6.2.3. Consideration of Options in Pearl in Report

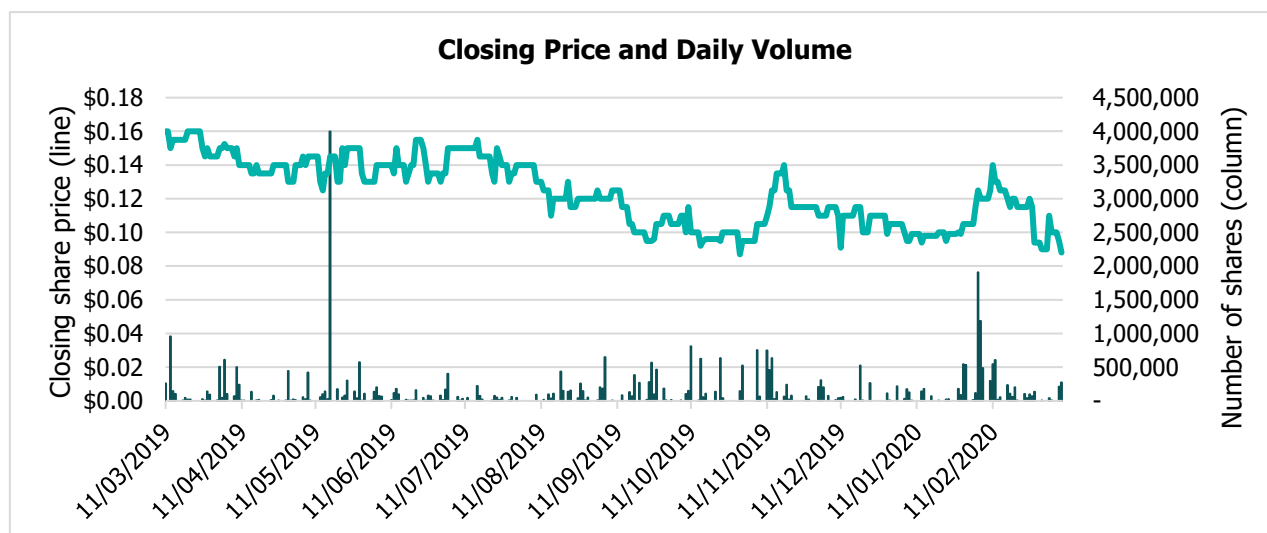
Given that Pearl Shares traded at \$0.082 per Share on the last close of business before the date of this Report, the listed and unlisted options in Pearl are out-of-the-money (as defined) as at the date of this Report.

Therefore, for the purposes of the Report, we have not considered the dilutary impact of the exercise of the listed and unlisted options in Pearl. As such, the options in Pearl have not been further dealt with in this Report.

5.7. Share Price and Volume Trading Analysis

5.7.1. Share Price and Volume Trading Analysis up to 13 March 2020 (pre Proposed Transaction 1)

The following chart provides a summary of the trading volumes and prices for Pearl Shares from 11 March 2019 to 10 March 2020, the last full day of trading prior to the announcement of the March Placement (which included Proposed Transaction 1):



Source: Yahoo! Finance and Nexia analysis

The chart above indicates that during the period the closing share price of Pearl has traded within a range of \$0.087 and \$0.160 over the 12 months to 10 March 2020 (the last full day of trading prior to the announcement of the March Placement) with a closing price of \$0.088 on 10 March 2020.

The volume of Pearl Shares that have been traded over the period has been relatively high with more than 20 million Shares traded in the last 180 days and more than 36 million Shares traded in the last year. Prices (including Volume Weighted Average Prices, or "VWAPs") and volumes for the last year to 10 March 2020 are summarised in the table below:

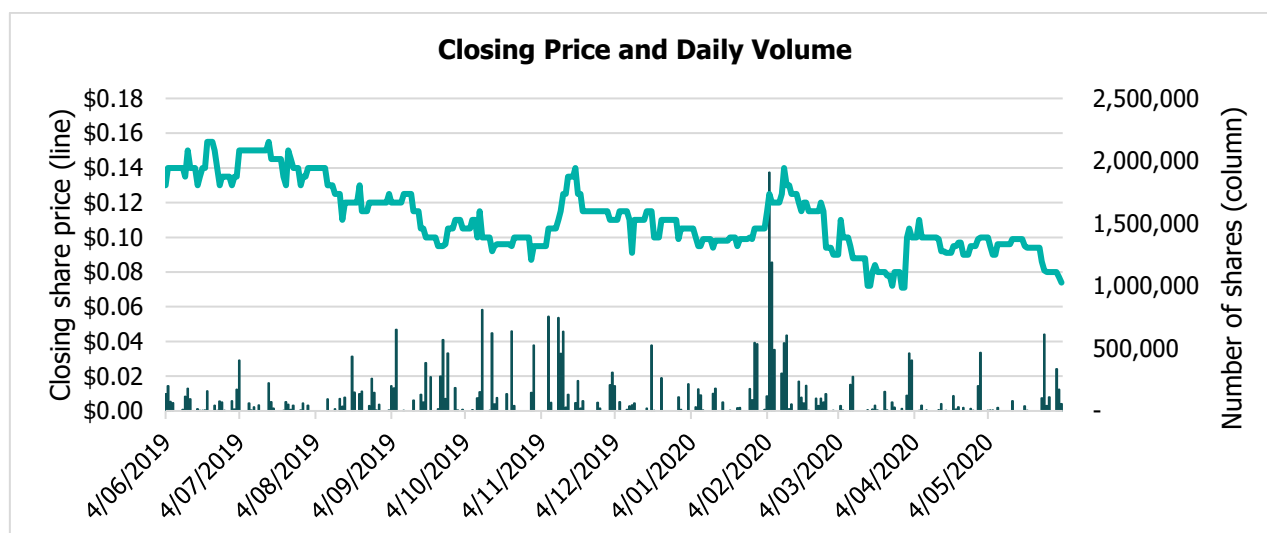
Period to 10 March 2020	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Trading as a % of current issued capital
1 day	\$0.088	\$0.088	274,972	\$0.088	0.14%
7 days	\$0.088	\$0.110	530,860	\$0.093	0.26%
30 days	\$0.088	\$0.140	3,093,598	\$0.120	1.54%
60 days	\$0.088	\$0.140	8,586,042	\$0.117	4.27%
90 days	\$0.088	\$0.140	10,123,414	\$0.116	5.04%
180 days	\$0.087	\$0.140	20,200,311	\$0.110	10.05%
366 days	\$0.087	\$0.160	36,538,697	\$0.124	19.30%

Source: ASX, Yahoo! Finance and Nexia analysis

The analysis above shows that Pearl's shares had a relatively high level of liquidity during the year to 10 March 2020, with 5.04% of Pearl's capital being traded in the last 90 days, 10.05% in the last 180 days and just over 19.30% in the last year.

5.7.2. Share Price and Volume Trading Analysis up to 3 June 2020 (pre Proposed Transaction 2)

The following chart provides a summary of the trading volumes and prices for Pearl Shares from 4 June 2019 to 3 June 2020, the last full day of trading prior to the announcement of the June Placement (which includes the proposed Shares to be issued under Proposed Transaction 2):



Source: Yahoo! Finance and Nexia analysis

The chart above indicates that during the period the closing share price of Pearl has traded within a range of \$0.071 and \$0.155 over the 12 months to 3 June 2020 (the last full day of trading prior to the announcement of the June Placement) with a closing price of \$0.074 on 3 June 2020.

The volume of Pearl Shares that have been traded over the period has been relatively high with more than 14 million Shares traded in the last 180 days and more than 29 million Shares traded in the last year. Prices (including VWAPs) and volumes for the last year to 3 June 2020 are summarised in the table below:

Period to 3 June 2020	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Trading as a % of current issued capital
1 day	\$0.074	\$0.074	57,001	\$0.074	0.03%
7 days	\$0.074	\$0.080	716,159	\$0.079	0.32%
30 days	\$0.074	\$0.099	1,583,095	\$0.082	0.70%
60 days	\$0.074	\$0.110	2,567,318	\$0.088	1.13%
90 days	\$0.071	\$0.110	4,386,918	\$0.091	1.98%
180 days	\$0.071	\$0.140	14,114,582	\$0.109	6.68%
366 days	\$0.071	\$0.155	29,515,855	\$0.112	14.42%

Source: ASX, Yahoo! Finance and Nexia analysis

The analysis above shows that Pearl's shares had a relatively high level of liquidity during the year to 3 June 2020, with 1.98% of Pearl's capital being traded in the last 90 days, 6.68% in the last 180 days and 14.42% in the last year.

5.8. Issue Prices in Recent Share Placements

As outlined in section 1.1, the March Placement was to raise capital by issuing shares at \$0.085 per Share. ROC did not receive favourable treatment in the issue of Tranche 2 March Placement Shares, as ROC paid \$0.085 per Share, the same price that was paid by external parties for the issue of Tranche 1 March Placement Shares. There was also no further conditions attached to the issue of Tranche 2 March Placement Shares to ROC.

As outlined in section 1.2, the June Placement is to raise capital by issuing shares at \$0.07 per Share. ROC will not be receiving favourable treatment in the proposed issue of shares under Proposed Transaction 2, as ROC will be paying \$0.07 per Share, which is the same price that has been as paid by external parties for the issue of Tranche 1 June Placement Shares. There is also no further conditions attached to the proposed issue of shares under Proposed Transaction 2 to ROC.

In addition to the share placements above, Pearl also made the following share placements and/or share purchase plan, as shown below:

Date of Issue	Notes	Shares Issued	Issue Price	Capital Raised
29 April 2019	1	2,686,656	\$0.150	\$402,998
12 June 2019	2	1,349,999	\$0.150	\$202,500
19 March 2020	3	14,180,237	\$0.085	\$1,205,320
17 June 2020	4	24,558,233	\$0.070	\$1,719,076

Notes:

1. This placement was part of a share purchase plan which was announced by the Company on 20 February 2019 and opened on 20 March 2019.
2. This placement was part of a \$5 million placement which was announced by the Company on 13 March 2019. ROC participated in the majority of this placement, acquiring 39,370,078 at \$0.127 per Share.
3. This placement is part of the March Placement as outlined in section 1.1. The issue price under this placement is just under the closing price of \$0.088 on the ASX on 10 March 2020.
4. This placement is part of the June Placement as outlined in section 1.2. The issue price under this placement is just under the closing price of \$0.074 on the ASX on 3 June 2020.

6. INDUSTRY ANALYSIS AND MARKET OUTLOOK

6.1. Overview

The Waste Remediation and Materials Recovery Services industry has been operating in an increasingly favourable environment over the past five years. Waste recovery targets have encouraged waste diversion away from landfill towards industry-operated materials recovery facilities. Meanwhile, landfill levies have reduced the processing costs gap between landfill disposal and recovery, and reduced external competition for industry operators. However, diminishing manufacturing activity and weakening prices for scrap steel overseas have constrained industry revenue growth. Overall, industry revenue is expected to grow at an annualised 0.9% over the five years through 2018-19, to \$5.0 billion. However, a fall in the price of base metals is anticipated to cause revenue to decline by 3.1% in the current year.

Steady population growth over the past five years has generated greater volumes of household waste for recovery. Strong construction activity on the east coast has boosted volumes of masonry, metal and glass waste, supporting demand for industry services over the period. Rising demand for diverted waste management services has increased both industry enterprise numbers and employment over the past five years. In addition, stronger regulation surrounding mine and hazardous waste remediation has required increasingly specialised industry services. As a result, operators have increased the prices for such services, lifting industry revenue. However, intensifying competition has placed downward pressure on industry prices over the past five years. Overall, industry profit margins have declined over the period.

A recovery in the manufacturing sector is projected to contribute to industry revenue growth over the next five years. Industry revenue is forecast to grow at an annualised 2.3% over the five years to 2023-24, to \$5.6 billion. Stable population growth, increased consumption of packaged foods and rising construction activity are anticipated to drive waste volume growth over the next five years. Heightened public concern about the environment, state government recovery targets and increasing landfill levies are forecast to boost waste diversion to materials recovery facilities over the period. However, the ban on imported recyclable waste by Chinese authorities will likely cause operators to find new markets for recovered waste, or to send these materials to landfill over the next five years.

The ongoing COVID-19 pandemic is expected to have a high impact on the Waste Collection, Treatment and Disposal Subdivision. The virus is expected to result in a sharp increase in demand for hazardous waste disposal services. Hospitals and other medical facilities will likely require an increase in hazardous waste collection services, to properly dispose of contaminated personal protective equipment and items such as bed linen. Waste that could potentially be contaminated with the virus must be disposed of as clinical waste.

However, the slowdown in the domestic economy is expected to have a negative impact on the subdivision. Manufacturers and retailers make up a substantial source of demand for waste collection services. The closure of companies across the economy is expected to result in a decline in commercial waste, contributing to a fall in subdivision revenue. However, on the 8 May, the Federal Government announced its 3-Step Framework for a COVID Safe Australia, which outlined the process of easing restrictions. However, the speed at which this framework is implemented has differed between the various states and territories. All states and territories have implemented step one, which is expected to lead to an improvement in business activity. Demand for commercial waste services is therefore expected to rise. However, an anticipated decline in household incomes will likely result in subdued demand for manufacturers and retailers, which will correspondingly limit demand for subdivision services

Sources:

- *Waste Remediation and Materials Recovery Services in Australia*, Industry Report by IBISWorld, published June 2019. Accessed at www.ibisworld.com.au on 8 June 2020
- *COVID-19 Economic Assessment*, Special Report by IBISWorld, published on 3 June 2020. Accessed at www.ibisworld.com.au on 8 June 2020

6.2. Market Outlook

The outlook for the Australian and global economies is being driven by the COVID-19 pandemic. The necessary social distancing restrictions and other containment measures that have been in place to control the virus have resulted in a significant contraction in economic activity, but economic conditions will improve as the pandemic is brought under control and containment measures are relaxed.

Global GDP is expected to fall sharply in the first half of 2020. The declines in the March quarter were driven by a contraction in Chinese and euro area activity as well as the rollout of containment measures elsewhere late in the quarter. A further fall in global GDP is expected in the June quarter, with many countries expected to record quarterly declines in GDP. The global outlook is discussed in more detail in the 'International Economic Conditions' chapter.

The Australian economy is expected to record a contraction in GDP of around 10 per cent over the first half of 2020; total hours worked are expected to decline by around 20 per cent and the unemployment rate is forecast to rise to around 10 per cent in the June quarter. Headline inflation is expected to be negative in the June quarter largely as a result of lower fuel prices and free child care; underlying inflation is expected to decline notably.

Beyond the first half of 2020, the outlook for the domestic economy depends on how long social distancing remains in place and its effects on economic activity. Other factors include how long uncertainty and diminished confidence weigh on households' and businesses' spending, hiring and investment plans. The initial phase of the recovery is likely to be primarily driven by the easing in restrictions, which will lead to an improvement in employment outcomes as businesses re-open, as well as a pick-up in household spending. In the latter part of the forecast period, business investment decisions will more strongly shape the recovery. It is difficult to be precise about the magnitude and timing of these effects, so it makes sense to think in terms of scenarios.

A plausible baseline scenario is that the various restrictions are progressively relaxed in coming months and are mostly removed by the end of September, except for some restrictions such as international travel. If this occurs, and the spread of the virus in Australia remains limited, GDP growth is likely to turn around in the September quarter and the recovery would strengthen from there.

A stronger economic recovery is possible, however, if further gains in controlling the virus are achieved in the near term, allowing most containment measures to be phased out over coming months and with more limited damage to business and household confidence and balance sheets. In this scenario, much of the near-term decline in GDP growth and the rise in the unemployment rate would be reversed over the next few years.

On the other hand, it is also possible that the outbreak persists for longer than expected or flares up again, which would see mandated restrictions on domestic activity eased more gradually, international travel restrictions in place well into next year, and prolonged precautionary behaviour. In this scenario, the recovery in GDP would be delayed and there would be more lasting effects on household and business balance sheets, as well as damage to employment and supplier relationships as jobs are lost and businesses fail.

Source: Statement of Monetary Policy May 2020 (Section 6. Economic Outlook) by Reserve Bank of Australia, published on 7 May 2020. Accessed at <https://www.rba.gov.au/publications/smp/2020/may/pdf/statement-on-monetary-policy-2020-05.pdf> on 8 June 2020.

7. VALUATION METHODOLOGIES

7.1. Definition of Market Value

In forming our opinion as to whether or not the Proposed Transactions was, or is, fair and reasonable to Pearl's shareholders, we have assessed the value of the issued Shares of Pearl on a fair value basis. RG 111 defines fair value as the amount:

"assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length..."

7.2. Selection of Methodology

RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:

- the discounted cash flow method and the estimated realisable value of any surplus assets;
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (the capitalisation of earnings method);
- the amount that would be available for distribution to security holders on an orderly realisation of assets (asset based method);
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale (quoted market price methodology);
- any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an alternative bidder might be willing to offer if all the securities in the target were available for purchase.

The above are covered in more detail in Appendix D to this Report. Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information. It is possible for a combination of different methodologies to be used together to determine an overall value. This is further addressed below.

In determining the fair value of Pearl Shares, we have applied the quoted market price methodology and used share prices from recent genuine offers for Pearl Shares. We have determined these to be the most appropriate methodology as:

- Pearl is in the early stages of commercialisation and as such, the foreseeable net cash inflows is considered to be uncertain and cannot be relied upon. Therefore, the discount cash flow method is not considered to be appropriate for Pearl;
- Pearl has been in a loss making position over the last 3 years with negative EBIT and EBITDA hence there are no historical profits to represent future earnings. Therefore, the capitalisation of earnings method approach is also not considered to be appropriate for Pearl;
- This quoted market price method is relevant because Pearl's Shares have relatively high liquidity and have been listed on the ASX for more than a 12 month period up to the announcements of the March Placement and the June Placement (which included/includes the Proposed Transactions), meaning there is a regulated and observable market where Pearl's Shares can be traded; and
- There have been recent offers for Pearl Shares, as the Proposed Transactions are or will be part of the March Placement and the June Placement, both of which include the issue of Shares to external parties and at the same terms as the Proposed Transactions.

Given the factors above, we have used and applied the quoted market price methodology and recent offers for Pearl Shares with reference to the following:

- the most recent VWAP data (up to 60 days, due to the impact of COVID-19); and
- the price of the shares issued or to be issued under the March Placement (for Proposed Transaction 1) and the June Placement (for Proposed Transaction 2), both of which include the issue of Shares to external parties and at the same terms as the Proposed Transactions.

The valuation calculation for Pearl Shares under Proposed Transaction 1 and Proposed Transaction 2 are set out respectively in sections 8 and 9 of this Report.

8. FAIR VALUE OF PEARL SHARES ISSUED TO ROC UNDER PROPOSED TRANSACTION 1

As discussed in section 4.1, in evaluating whether Proposed Transaction 1 was fair to the shareholders of Pearl, we are considering the fair value of Pearl Shares issued to ROC under Proposed Transaction 1 in accordance with RG 111.

8.1. Fair Value Calculation Based on Quoted Market Prices and Recent Offers

In determining the fair value of each Pearl Share issued to ROC under Proposed Transaction 1 we have determined that the quoted market price methodology and recent offers for Pearl Shares is the preferred valuation methodology (as described in section 7).

As described and shown in section 5.7.1, Pearl's Shares had a VWAP of between \$0.088 and \$0.120 in the 60 days to 10 March 2020, the last full day of trading prior to the announcement of the March Placement, which included Proposed Transaction 1.

Also, as described in section 5.8, the most recent share placement for Pearl (at the time of Proposed Transaction 1) was the March Placement, where Tranche 1 March Placement Shares was issued at \$0.085 per Share to non-related parties. Both Tranche 2 March Placement Shares (issued to ROC) and Tranche 1 March Placement Shares (issued to non-related parties) were issued at \$0.085 per Share and had the same terms.

Based on the above we have determined that the fair value of each Pearl Share issued to ROC under Proposed Transaction 1 was as follows:

	Notes	Low	Mid	High
Recent offer / quoted market prices	1, 2, 3	\$0.085	\$0.103	\$0.120
Premium to reflect value of ROC's substantial shareholding (10%)	4	\$0.009	\$0.010	\$0.012
Fair value of each Pearl Share issued to ROC under Proposed Transaction 1		\$0.094	\$0.113	\$0.132

Notes:

1. The low end of the recent offer / quoted market price range is based on the share price for the most recent share placement for Pearl at the time of Proposed Transaction 1, being the March Placement, as described above.
2. The high end of the recent offer / quoted market price range is based on the higher end of the VWAP range in the 60 days to 10 March 2020, the last full day of trading prior to the announcement of the March Placement, as described above.
3. The mid-point of the recent offer / quoted market price range is the average of the low and high ends of the range (as per notes 1 and 2 above).

4. A premium of 10% has been applied to reflect the value of ROC's substantial shareholding (approaching 25% of the voting power in Pearl), by which ROC can exert significant influence on decisions requiring ordinary and special resolutions, and the value this would have from ROC's perspective.

8.2. Conclusion on Fair Value of Pearl Shares Issued to ROC under Proposed Transaction 1

In determining the fair value of each Pearl Share issued to ROC under Proposed Transaction 1 we have determined that the quoted market price methodology and recent offers for Pearl Shares is the preferred valuation methodology. Based on this we have concluded that the fair value of each Pearl Share issued to ROC under Proposed Transaction 1 was as follows:

	Low	Mid	High
Fair value of each Pearl Share issued to ROC under Proposed Transaction 1	\$0.094	\$0.113	\$0.132

For the purposes of the assessment of the fairness of Proposed Transaction 1, the above fair values of each Share will be compared to the consideration which was received for each Share under Proposed Transaction 1. The assessment of the fairness of Proposed Transaction 1 is detailed in section 10.1.

9. FAIR VALUE OF PEARL SHARES UNDER PROPOSED TRANSACTION 2

9.1. Fair Value of Pearl Shares on a Control Basis pre Proposed Transaction 2

As discussed in section 4.2, in evaluating Proposed Transaction 2 we are considering the fair value of Pearl Shares on a control basis in accordance with RG 111.

9.1.1. Fair Value Calculation Based on Quoted Market Prices and Recent Offers

In determining the fair value of a Pearl Share on a control basis before Proposed Transaction 2 we have determined that the quoted market price methodology and recent offers for Pearl Shares is the preferred valuation methodology (as described in section 7).

As described and shown in section 5.7.2, Pearl's Shares had a VWAP of between \$0.074 and \$0.088 in the 60 days to 3 June 2020, the last full day of trading prior to the announcement of the June Placement, which includes the proposed Shares to be issued under Proposed Transaction 2.

As described in section 5.8, the most recent share placement for Pearl is the June Placement, where Tranche 1 June Placement Shares was issued at \$0.07 per Share to non-related parties. Both Tranche 2 June Placement Shares (which includes the Shares to be issued to ROC under Proposed Transaction 2) and Tranche 1 June Placement Shares (issued to non-related parties) were or will be issued at \$0.07 per Share and have the same terms.

Based on the above we have determined the fair value of a Pearl Share on a control basis, pre Proposed Transaction 2, to be as follows:

	Notes	Low	Mid	High
Recent offer / quoted market prices	1, 2, 3	\$0.070	\$0.079	\$0.088
Control premium (25% to 30%)	4	\$0.018	\$0.022	\$0.026
Fair value of a Pearl Share on a control basis, pre Proposed Transaction 2		\$0.088	\$0.101	\$0.114

Notes:

1. The low end of the recent offer / quoted market price range is based on the share price for the most recent share placement for Pearl, being the June Placement, as described above.
2. The high end of the recent offer / quoted market price range is based on the higher end of the VWAP range in the 60 days to 3 June 2020, the last full day of trading prior to the announcement of the June Placement, as described above.

3. The mid-point of the recent offer / quoted market price range is the average of the low and high ends of the range (as per notes 1 and 2 above).
4. A control premium ranging between 25% and 30% (with the mid-point of the range being 27.5%) has been applied.

9.1.2. Conclusion on Fair Value of Pearl Shares on a Control Basis pre Proposed Transaction 2

In determining the fair value of a Pearl Share on a control basis before Proposed Transaction 2 we have determined that the quoted market price methodology and recent offers for Pearl Shares is the preferred valuation methodology. Based on this we have concluded the fair value of a Pearl Share before Proposed Transaction 2 to be as follows:

	Low	Mid	High
Fair value of a Pearl Share on a control basis, pre Proposed Transaction 2	\$0.088	\$0.101	\$0.114

9.2. Fair Value of Pearl Shares on a Minority Basis Post Proposed Transaction 2

As discussed in section 4.2, in evaluating Proposed Transaction 2 we are considering the fair value of Pearl Shares on a minority basis after Proposed Transaction 2 in accordance with RG 111.

	Notes	Low	Mid	High
Fair value of a Share on a control basis (section 9.1.2)		\$0.088	\$0.101	\$0.114
Number of Shares on issue pre Proposed Transaction 2	1	251,192,350	251,192,350	251,192,350
Total value of Pearl on a control basis pre Proposed Transaction 2		\$22,104,927	\$25,370,427	\$28,635,928
Funds to be received from Tranche 2 June Placement	2	\$3,280,924	\$3,280,924	\$3,280,924
Total fair value of Pearl on a control basis, post Proposed Transaction 2		\$25,385,851	\$28,651,351	\$31,916,852
Less: adjustment for control premium	3	(\$5,077,170)	(\$6,179,703)	(\$7,365,427)
Total fair value of Pearl on a minority basis, post Proposed Transaction 2		\$20,308,681	\$22,471,648	\$24,551,425
Number of Shares				
Number of Shares on issue pre Proposed Transaction 2	1	251,192,350	251,192,350	251,192,350
Shares to be issued under Tranche 2 June Placement	2	46,870,339	46,870,339	46,870,339
Total Shares on issue post Proposed Transaction 2		298,062,689	298,062,689	298,062,689
Fair value per Pearl Share on a minority basis, post Proposed Transaction 2		\$0.068	\$0.075	\$0.082

Notes:

1. This is based on the number of fully paid ordinary shares on issue according to Pearl's share registry as at 17 June 2020 (see section 5.6.1).
2. The funds to be received under Proposed Transaction 2 is included in the funds to be received from the issue of Tranche 2 June Placement Shares (i.e. 46,870,339 Shares at \$0.07 per Share, as outlined in section 1.2).

3. An adjustment for control premium, ranging between 25% and 30% (with the mid-point of the range being 27.5%) has been applied to arrive at a minority interest in accordance with RG111.

9.2.1. Conclusion on Fair Value of Pearl Shares on a Minority Basis post Proposed Transaction 2

In determining the fair value of a Pearl Share on a minority basis after Proposed Transaction 2 we have determined that the quoted market price methodology and recent offers for Pearl Shares is the preferred valuation methodology. Based on this we have concluded the fair value of a Pearl Share after Proposed Transaction 2 to be as follows:

	Low	Mid	High
Fair value of a Pearl Share on a minority basis, post Proposed Transaction 2	\$0.068	\$0.075	\$0.082

10. ASSESSMENT OF FAIRNESS

10.1. Assessment of Fairness of Proposed Transaction 1

As discussed in section 4.1, in determining whether or not Proposed Transaction 1 was fair to the shareholders of Pearl, we have compared the fair value of each Pearl Share issued to ROC under Proposed Transaction 1 to the consideration received by Pearl in return for each Share issued to ROC under Proposed Transaction 1.

This is summarised below:

Proposed Transaction 1	Low	Mid	High
Fair value of each Pearl Share issued to ROC under Proposed Transaction 1 (section 8.2)	\$0.094	\$0.113	\$0.132
Consideration received for each Share under Proposed Transaction 1 (outlined in section 1.1)	\$0.085	\$0.085	\$0.085

As the consideration received for each Pearl Share under Proposed Transaction 1 was not within the range we have determined to be the fair value of each Pearl Share issued to ROC under Proposed Transaction 1, **we have concluded that Proposed Transaction 1 was not fair.**

10.2. Assessment of Fairness of Proposed Transaction 2

As discussed in section 4.2, in determining whether or not Proposed Transaction 2 is fair to the shareholders of Pearl, we have compared the fair value of a Pearl Share on a control basis before Proposed Transaction 2, to the fair value of a Pearl Share on a minority basis after Proposed Transaction 2.

This is summarised below:

Proposed Transaction 2	Low	Mid	High
Fair value of a Pearl Share on a control basis, pre Proposed Transaction 2 (section 9.1.2)	\$0.088	\$0.101	\$0.114
Fair value of a Pearl Share on a minority basis, post Proposed Transaction 2 (section 9.2.1)	\$0.068	\$0.075	\$0.082

The analysis above identifies that under all three scenarios (i.e. low to high valuations) the fair value of a Pearl Share is lower after Proposed Transaction 2. Therefore **we have concluded that Proposed Transaction 2 is not fair.**

11. ASSESSMENT OF REASONABLENESS OF PROPOSED TRANSACTION 1

11.1. Approach to Assessing Reasonableness of Proposed Transaction 1

In forming our conclusions in this Report, we have compared the respective advantages and disadvantages to shareholders of Proposed Transaction 1, which occurred on 31 March 2020 as outlined in section 1.1.

11.2. Advantages of Proposed Transaction 1

We have outlined the potential advantages of Proposed Transaction 1 in the following table:

Advantages	Explanation
An improvement in the Group's working capital, financial and going concern positions	Proposed Transaction 1 has provided capital injection enabling Pearl to support its on-going operations and improve its working capital, financial and going concern positions.
Access to funds supporting ongoing operations and plans to increase production capacity	Proposed Transaction 1 has provided capital injection enabling Pearl to support ongoing operations and also to accelerate its planned increased production capacity by investing in additional TDUs and hence supporting growth.
Absence of alternative offers at the time	Proposed Transaction 1, together with the issue of Tranche 1 March Placement Shares were the only offers capable of acceptance at the time of Proposed Transaction 1 and there was an absence of alternative offers, especially in the uncertain markets at the time due to the COVID-19 global pandemic.
ROC's demonstration of ongoing support	Through Proposed Transaction 1, ROC increased its investment into the Company, and is committed to invest further by maintaining its current shareholding of 22.45% in the June Placement (as outlined in section 1.2 and subject to the approval of Proposed Transaction 2). This is consistent with ROC's demonstrated prior commitment to the Company in respect of its previous placement in 2019.
ROC did not receive selective treatment under Proposed Transaction 1	The terms for both the issue of Tranche 1 March Placement Shares and the issue of Tranche 2 March Placement Shares to ROC (Proposed Transaction 1) were the same. The consideration received for each Share by Pearl under both tranches of the March Placement was also the same, being at \$0.085 per Share. As such, ROC did not receive any preferential treatment under Proposed Transaction 1.
ROC's voting power could act as a blocking stake to prevent another shareholder from compulsory acquisition of Pearl	With the increase in ROC's shareholding in Pearl to 22.45%, (as set out in section 1.1), ROC's shareholding is approaching 25%. As such, ROC's voting power could act as a blocking stake to prevent another shareholder from moving towards 100% ownership through compulsory acquisition.

11.3. Disadvantages of Proposed Transaction 1

We have outline the potential disadvantages of Proposed Transaction 1 in the following table:

Disadvantage	Explanation
Increased risk of restriction on ordinary and special resolutions as a result of ROC's increased shareholding	<p>With the increase in ROC's shareholding in Pearl to 22.45%, (as set out in section 1.1), ROC's shareholding is approaching 25%. As such, ROC's voting power could restrict remaining shareholders' ability to make decisions that require ordinary and special resolutions without the approval of ROC.</p> <p>ROC's current shareholding may also block a special resolution given it is unlikely that all shareholders entitled to vote will attend a meeting or appoint a proxy.</p> <p>It is however noted that ROC already held a substantial interest in the Company (which was previously 19.59% prior to the issue of Tranche 1 March Placement Shares, as outlined in section 1.1).</p>
Dilution of existing shareholders' interest	<p>The issue of Tranche 2 March Placement Shares to ROC is dilutive to the other shareholders of Pearl meaning that the other shareholders of Pearl may receive a decreased distribution of Company profits in the future.</p> <p>However, as noted in the previous disadvantage, ROC already held a substantial interest in the Company prior to Proposed Transaction 1, holding 19.59% of Pearl's Shares prior to the issue of Tranche 1 March Placement Shares.</p>

11.4. Alternatives to Proposed Transaction 1

The Directors have advised us that, if Proposed Transaction 1 had not proceeded, that alternative funding would have had to be secured to fund the Company's ongoing operations as well as the planned increased production capacity from the current 3 to 6 TDUs and to support further growth.

11.5. Implications of Proposed Transaction 1 Not Being Ratified

As outlined in section 1.1, if the ratification of Proposed Transaction 1 is not approved, Pearl will be required to undertake a Buy-Back. A Buy-Back would require the Company to expend at least \$977,500 (\$0.085 per Share) in funding the Buy-Back. Given Pearl's current financial situation, it is likely that this will need to be funded from:

- the capital which has been raised by Pearl through the funds raised under the March Placement; and
- the capital to be raised under the June Placement.

According to the NoM, the funds raised from the March Placement and the funds to be raised under the June Placement was earmarked for Pearl's working capital as well as Pearl's capital expenditure requirements, which included Pearl's capital expenditure at the Stapylton site including works for the integration of ATP's business and costs associated with the expansion of production. A Buy-Back would therefore impede or delay Pearl's ability to use the funds for this purpose, as well as delay Pearl's ability to improve its working capital, financial, and going concern positions.

If both the ratification of the Breach Shares (Proposed Transaction 1) under Resolution 2 and the Buy-Back under Resolution 3 are not approved by the shareholders of Pearl, the Company will procure ROC to sell the Breach Shares within a 30 day period from the date of the meeting convened by the NoM, and any profit from such sale will be required to be donated to an entity registered as a charity with the Australian Charities and Not-for-profits Commission.

In addition, having secured the Asphalt Group offtake agreement for up to 10,000 tonnes per annum of raw fuels and 7,000 tonnes of carbon char, if a Buy-Back is required and in the event that no alternative funding is secured, this could slow Pearl's plans to increase its current production capacity and expand towards six TDU's at the existing Stapylton site. Accordingly, the Company would not be able to optimise the Asphalt offtake agreement. Taking into account the current uncertain market environment due to the global COVID-19 pandemic, finding alternative sources of funding may be challenging.

11.6. Conclusion as to Reasonableness of Proposed Transaction 1

In accordance with RG 111, a related party transaction is reasonable if:

- the transaction is fair; or
- despite being not fair, there are sufficient reasons for members to vote for the proposal.

In our comparison of the advantages and disadvantages of Proposed Transaction 1 (as set out in sections 11.2 and 11.3), we observe that the advantages of Proposed Transaction 1 outweigh the disadvantages of Proposed Transaction 1. In addition, we have considered the alternatives to and the implications of Proposed Transaction 1 not being ratified (as described in sections 11.4 and 11.5). Based on our observation and considerations, we conclude that there are sufficient reasons for the shareholders of Pearl to vote in favour of the ratification of Proposed Transaction 1.

As such, although Proposed Transaction 1 was not fair, considering and taking into account other significant factors, **we have concluded that Proposed Transaction 1 was reasonable** to the shareholders of Pearl.

12. ASSESSMENT OF REASONABLENESS OF PROPOSED TRANSACTION 2

12.1. Approach to Assessing Reasonableness

In forming our conclusions in this Report, we have compared the respective advantages and disadvantages to shareholders if Proposed Transaction 2 proceeds.

12.2. Advantages of Proposed Transaction 2

We have outlined the potential advantages of Proposed Transaction 2 in the following table:

Advantages	Explanation
Access to funds to support the expansion of Pearl's current facility including the construction of a fourth TDU	As outlined in section 1.2, the funds raised from the June Placement (including from Proposed Transaction 2) will be used for the expansion of Pearl's current facility at Stapylton, Queensland with expenditure to be targeted for construction of a fourth TDU and tyre processing equipment to increase volume and revenues.
Access to funds for costs required for the ongoing expansion of production and working capital	As outlined in section 1.2, the funds from the June Placement (including from Proposed Transaction 2) will also be used for associated costs required for the ongoing expansion of production, the cost of the June Placement and general working capital.

Advantages	Explanation
No overall net change to ROC's voting power	<p>Just prior to the announcement of the June Placement, ROC already held a substantial interest in the Company, being 22.45% of Pearl's Shares.</p> <p>Subject to shareholder approval of the ratification of Proposed Transaction 1 and the completion of the remainder of the June Placement, Proposed Transaction 2 will result in ROC maintaining its shareholding back to its pre-June Placement shareholding level of 22.45%.</p> <p>As such, there will be no overall change to ROC's voting power as a result of Proposed Transaction 2 (subject to shareholder approval) and the completion of the June Placement.</p>
ROC's demonstration of ongoing support	<p>ROC is Pearl's cornerstone investor and has made a substantial investment into the Company. As indicated above, ROC's investment under Proposed Transaction 2 will maintain its shareholding back to its pre-June Placement shareholding level of 22.45%.</p> <p>This is consistent with ROC's demonstrated prior commitment to the Company in respect of its previous placement in 2019 and in the March Placement.</p>
ROC has no current intentions to make any significant changes to Pearl	<p>According to the NoM, ROC has informed the Company that at the date of the NoM, and on the basis of the facts and information available to it, if the shareholders of Pearl approve Proposed Transaction 2, that ROC:</p> <ul style="list-style-type: none"> • has no current intention of making any significant changes to the business of the Company in a manner that may be detrimental to the other shareholders of the Company; • does not intend to redeploy any fixed assets of the Company; • does not have any current intention to inject further capital into the Company; • does not intend to transfer any property between the Company and ROC; • has no current intention to change the Company's existing policies in relation to financial matters or dividends in a manner that may be detrimental to the other shareholders of the Company; • has no current intentions regarding the future employment of the present employees of the Company; and • has no current intention to change the board of Pearl, noting that ROC already has board representation through Brad Mytton.

Advantages	Explanation
ROC will not be receiving selective treatment under Proposed Transaction 2	<p>Both the issue of Tranche 1 June Placement Shares and the issue of Tranche 2 June Placement Shares (which includes the Shares to be issued to ROC under Proposed Transaction 2) had the same terms.</p> <p>The consideration to be received for each Share by Pearl under Tranche 2 June Placement Shares (which includes the Shares to be issued to ROC under Proposed Transaction 2) will be the same as the consideration received so far from the Tranche 1 June Placement Shares, both being at \$0.07 per Share.</p> <p>As such, ROC will not be receiving any preferential treatment under Proposed Transaction 2.</p>
ROC's voting power could act as a blocking stake to prevent another shareholder from compulsory acquisition of Pearl	<p>With ROC's shareholding in Pearl being maintained at 22.45%, ROC's shareholding is approaching 25%. As such, ROC's voting power could act as a blocking stake to prevent another shareholder from moving towards 100% ownership through compulsory acquisition.</p>

12.3. Disadvantages of Proposed Transaction 2

We have outline the potential disadvantages of Proposed Transaction 2 in the following table:

Disadvantage	Explanation
Increased risk of restriction on ordinary and special resolutions as a result of ROC's increased shareholding	<p>With ROC's shareholding in Pearl being maintained at 22.45%, ROC's shareholding is approaching 25%. This would restrict the remaining shareholders' ability to make decisions requiring ordinary and special resolutions without the approval of ROC.</p> <p>ROC's current shareholding may also block a special resolution given it is unlikely that all shareholders entitled to vote will attend a meeting or appoint a proxy.</p> <p>It is however noted that ROC already held a substantial interest in the Company and that Proposed Transaction 2 (together with the completion of the June Placement, and subject to shareholder approval) will result in ROC maintaining this interest at 22.45%.</p>
Dilution of existing shareholders' interest	<p>The Shares to be issued to ROC under Proposed Transaction 2 is dilutive to the other shareholders of Pearl meaning that the other shareholders of Pearl may receive a decreased distribution of Company profits in the future.</p> <p>However, as noted in the previous disadvantage, ROC already held a substantial interest in the Company prior to the June Placement, holding 22.45% of Pearl's Shares prior to the announcement of the June Placement.</p>

12.4. Alternatives to Proposed Transaction 2

The Directors have advised us that, if Proposed Transaction 2 does not proceed, alternative funding would have to be secured to fund the expansion of Pearl's current facility (including the construction of a fourth TDU), and to fund costs required for the ongoing expansion of production and costs required for its working capital. Taking into account the current uncertain market environment due to the global COVID-19 pandemic, finding alternative sources of funding may be challenging.

12.5. Implications of Proposed Transaction 2 Not Proceeding

If Proposed Transaction 2 does not proceed, this will also slow the Company's plans to construct its fourth TDU and to expand its current facility at Stapylton, Queensland, as the Company will need to seek alternative funding. This will also reduce the Company's ability to fund costs required for the ongoing expansion of production and to fund its working capital. Without the opportunity to increase the production capacity, the Company would not be able to optimise delivery or revenue from the Asphalt offtake agreement.

12.6. Conclusion as to Reasonableness of Proposed Transaction 2

In accordance with RG 111, a related party and control transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

In our consideration of the advantages and disadvantages of Proposed Transaction 2 (as set out in sections 12.2 and 12.3), the alternatives to and the implications of Proposed Transaction 2 not proceeding (as described in sections 12.4 and 12.5), and, in the absence of higher offers for Pearl Shares under the June Placement, we have concluded that there are sufficient reasons for the shareholders of Pearl to vote in favour of Proposed Transaction 2.

As such, although Proposed Transaction 2 is not fair, considering and taking into account other significant factors, **we have concluded that Proposed Transaction 2 is reasonable** to the non-associated shareholders of Pearl.

13. OPINIONS

13.1. Opinion on Proposed Transaction 1

Taking into consideration the matters above (as set out in sections 10.1 and 11), **we have concluded that Proposed Transaction 1 was not fair but reasonable to the shareholders of Pearl.**

The ultimate decision on whether to approve the ratification of Proposed Transaction 1 should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Meeting, and consider their own specific circumstances before voting in favour of or against the ratification of Proposed Transaction 1.

13.2. Opinion on Proposed Transaction 2

Taking into consideration the matters above (as set out in sections 10.2 and 12), **we have concluded that Proposed Transaction 2 is not fair but reasonable to the non-associated shareholders of Pearl.**

The ultimate decision on whether to approve Proposed Transaction 2 should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Notice of Meeting, and consider their own specific circumstances before voting in favour of or against Proposed Transaction 2.

APPENDIX A – GLOSSARY

Term	Definition
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
ASIC	Australia Securities and Investment Commission
ASX	Australian Securities Exchange
ATP	Australian Tyre Processors Pty Ltd, acquired by Pearl during the half year ended 31 December 2019.
Breach	Pearl's administrative oversight and failure to comply with ASX Listing Rule 10.11.3 in failing to obtain the prior approval of its shareholders to the issue of the Tranche 2 March Placement Shares.
Breach Shares	The 11,500,000 Tranche 2 March Placement Shares issued to ROC on 31 March 2020.
Buy-Back	A selective buy-back of the Tranche 2 March Placement Shares from ROC, which is required if the ratification of the Proposed Transaction is not approved.
CAANZ	Chartered Accountants Australia and New Zealand
Client, Company , Group, Pearl or PG1	Pearl Global Limited (ACN: 118 710 508)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Coronavirus	A family of viruses that include COVID-19 (see below) and other respiratory illnesses. The terms "coronavirus" and "COVID-19" are used interchangeably in this Report to denote the current global pandemic.
COVID-19	COVID-19 is the respiratory illness related to the current global pandemic.
EGM	Extraordinary General Meeting to be held by Pearl on 31 July 2020.
EPA	Environmental Protection Agency
FSG	Financial Services Guide
FY 2017	The financial year ended or as at 30 June 2017.
FY 2018	The financial year ended or as at 30 June 2018.
FY 2019	The financial year ended or as at 30 June 2019.
FY 2020	The financial year ended or as at 30 June 2020.
HY 2020	The half year ended or as at 31 December 2019.
Group	Pearl and its subsidiaries.
GST	Goods and Services Tax
IP	Intellectual Property
June Placement	Future capital raising undertaken by the Company as announced on 10 June 2020 (completion of which is subject to shareholder approval).
KAM or Key Audit Matter(s)	Those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.
Keshi	Keshi Technologies Pty Ltd

Term	Definition
Keshi Call Option	<p>A call option agreement between the Company and all of Keshi's shareholders pursuant to which Keshi's shareholders agree to sell their shares in Keshi in exchange for Pearl Shares, in each case exercisable (subject to receipt of required shareholder approvals under the ASX Listing Rules and the Corporations Act) at any time within 24 months after completion of the placement for a value of \$11.25 million, with such consideration to be paid by way of the Company issuing Shares at an issue price equal to the greater of:</p> <ul style="list-style-type: none"> • 80% of the VWAP over the last 5 Trading Days prior to the date of issue of the Shares; • 75% of the VWAP over the last 15 Trading Days prior to the date of issue of the Shares; and • \$0.10.
March Placement	The Company's capital raising as announced on 16 March 2020. The March Placement was made in two tranches which included the issue of Tranche 1 March Placement Shares and Tranche 2 March Placement Shares.
Nexia Entities or Nexia Perth Entity	Nexia Perth Pty Ltd and its related entities.
Non-Associated Shareholders	Shareholders that are not associated with the Proposed Transactions, i.e. not related parties of ROC.
Notice of Meeting, NoM or Document	Document to be sent to shareholders on or about the date of this Report in which this Report is included.
NPCF	Nexia Perth Corporate Finance Pty Ltd (AFSL 289358)
Out-of-the-money	The term for when the strike price of a call option exceeds the current underlying share price.
Proposed Transaction 1	Issue of 11,500,000 Tranche 2 March Placement Shares to ROC on 31 March 2020, ratification of which is subject to shareholder approval.
Proposed Transaction 2	The proposed issue of 16,032,790 Shares to ROC under Tranche 2 June Placement Shares, subject to shareholder approval.
Proposed Transactions	Both Proposed Transaction 1 and Proposed Transaction 2.
R&D	Research and Development
Report	Independent Expert's Report
ROC	Roc Asset Management Pty Ltd and its associate entities or nominees.
ROC's Nominee	Perpetual Corporate Trust Ltd ACF ROC Capital Pty Limited ATF Roc ES Private Equity Trust, the entity that Tranche 2 March Placement Shares were issued to.
Share(s)	Fully paid ordinary share(s) in Pearl.
Report	Independent Expert's Report
RG 74	<i>ASIC Regulatory Guide 74: Acquisitions approved by members</i>
RG 76	<i>ASIC Regulatory Guide 76: Related party transactions</i>
RG 111	<i>ASIC Regulatory Guide 111: Content of expert reports</i>
RG 112	<i>ASIC Regulatory Guide 112: Independence of experts</i>
TDU(s)	Thermal Desorption Unit(s)
TDU3	Pearl's third TDU.

Term	Definition
Tranche 1 June Placement Shares	24,558,233 Shares which was issued on 17 June 2020 at \$0.07 per Share to raise \$1,719,076.
Tranche 2 June Placement Shares	Remaining Shares to be issued under the June Placement, being 46,870,339 to be issued at \$0.07 per Share to raise the balance of \$3,288,923, subject to shareholder approval. Proposed Transaction 2 is part of Tranche 2 June Placement Shares.
Tranche 1 March Placement Shares	14,180,237 Shares which was issued on 19 March 2020 at \$0.085 per Share to raise \$1,205,320.
Tranche 2 March Placement Shares	11,500,000 Shares which was issued to ROC's Nominee on 31 March 2020 at \$0.085 per Share to raise \$977,500. The issue of Tranche 2 March Placement Shares to ROC is also referred to as Proposed Transaction 1.
Unlisted Option(s)	Unlisted option(s) in Pearl.
VWAP	Volume Weighted Average Price of Pearl Shares

APPENDIX B - SOURCES OF INFORMATION

- APES 225 *Valuation Services*
- ASIC database and ASIC extracts for Pearl and its Australian subsidiaries
- Audited financial statements of Pearl Global Limited for the years ended 30 June 2018 and 2019
- Reviewed financial statements of Pearl Global Limited for the periods ended 31 December 2018 and 2019
- Appendix 4C, quarterly report for Pearl Global Limited as announced on the ASX on 30 April 2020
- Draft Notice of Extraordinary General Meeting and Explanatory Memorandum prepared by Pearl Global Limited this Report will accompany
- Recent ASX announcements lodged by Pearl
- Share Price data for Pearl from ASX and Yahoo! Finance
- S&P Capital IQ
- Pearl's share and option registries as at 30 March 2020, 31 March 2020 and as at 17 June 2020
- *Waste Remediation and Materials Recovery Services in Australia*, Industry Report by IBISWorld (published June 2019)
- *COVID-19 Economic Assessment*, Special Report by IBISWorld, published on 3 June 2020
- *Statement of Monetary Policy May 2020 (Section 6. Economic Outlook)* by Reserve Bank of Australia, published on 7 May 2020
- Unaudited balance sheet of Pearl Global Limited as at 31 March 2020
- ROC Partner's website
- <https://www.tyrestewardship.org.au/latest-news/victoria-driving-ahead-with-crumb-rubber-asphalt-trial-in-main-roads>

APPENDIX C - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement Nexia Perth Corporate Finance Pty Ltd ("NPCF") determined its independence with respect to Pearl Global Limited ("Pearl"), Roc Asset Management Pty Ltd ("ROC"), and their associates with reference to ASIC *Regulatory Guide 112: Independence of experts* ("RG 112"). NPCF considers that it meets the requirements of RG 112 and that it is independent of Pearl, ROC, and their associates.

Also, in accordance with section 648(2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Pearl, ROC, and their related parties or associates that would compromise our impartiality.

Mrs Muranda Janse Van Nieuwenhuizen, authorised representative of NPCF, has prepared this Report. Neither she nor any related entities of NPCF have any interest in the promotion of the Proposed Transaction nor will NPCF receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, NPCF does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

NPCF provided a draft copy of this Report to the Directors and management of Pearl for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of NPCF alone. Changes made to this Report, as a result of the review by the Directors and management of Pearl, have not changed the methodology or conclusions reached by NPCF.

Reliance on Information

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report, NPCF has relied upon information provided on the basis it was reliable and accurate. NPCF has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. NPCF evaluated the information provided to it by Pearl as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base its Report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. NPCF does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix B of this Report.

Qualifications

NPCF carries on business at Level 3, 88 William Street, Perth WA 6000. NPCF holds Australian Financial Services Licence No 289358 authorising it to provide financial product advice on securities to retail and wholesale clients. NPCF's representatives are therefore qualified to provide this Report.

Mrs Muranda Janse Van Nieuwenhuizen specifically was involved in preparing and reviewing this Report. Mrs Janse Van Nieuwenhuizen is a member of both the Chartered Accountants Australia and New Zealand ("CAANZ") and the South African Institute of Chartered Accountants. She is also a Registered Company Auditor and an AFSL Authorised Representative for Nexia Perth Corporate Finance Pty Ltd.

Consent and Disclaimers

The preparation of this Report has been undertaken at the request of the Directors of Pearl. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the Report should be used for any other purpose than to accompany the Notice of Meeting to be sent to Pearl shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of NPCF's opinion as to whether or not the Proposed Transaction was fair and reasonable to Pearl shareholders.

NPCF consent to the issue of this Report in the form and context in which it is included in the Notice of Meeting to be sent to Pearl shareholders.

Shareholders should read all documents issued by Pearl that consider the issue of options in their entirety, prior to proceeding with a decision. NPCF had no involvement in the preparation of these documents, with the exception of our Report.

This Report has been prepared specifically for the Non-Associated Shareholders of Pearl. Neither NPCF, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of Pearl, in respect of this Report, including any errors or omissions howsoever caused. This Report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of this Report, our conclusions and opinions may differ from those stated herein. There is no requirement for NPCF to update this Report for information that may become available subsequent to its date.

APES 225 *Valuation Services*

Our Report has been prepared in accordance with APES 225 *Valuation Services*.

APPENDIX D - VALUATION METHODOLOGIES

In preparing this Report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX or the NSX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but do not take account of realisation costs.

The asset / cost approach is generally used when the value of the business's assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.