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## QUARTERLY ACTIVITIES REPORT

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### HIGHLIGHTS

- Production of 1,016 tonnes, an increase of 61% compared to last quarter. Over 500,000 thousand waste tyres cleanly converted in FY20.
- Successful \$5m capital raise, \$2m received and balance of \$3m to be completed in August.
- Operations have continued throughout COVID-19 - some delays to expansion plans.
- Successful commissioning of TDU3 completed.
- Aussee Road Services is gearing up its asphalt plant in preparation for Pearl fuel and carbon char deliveries.
- Successful asphalt trials completed with Pearl's carbon char to be used in road construction. Trials confirm significant improvement in asphalt performance.
- Tyre Stewardship Australia (TSA) commission media production video to highlight positive impact of Pearls products being used in Australian roads.

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Pearl Global Limited (**Pearl or the Company**) (ASX:PG1) provides an operations update and Appendix 4C to shareholders for the quarter ended 30 June 2020.

## Commentary on Operations and Appendix 4C

### Used tyre processing and production bounces back from previous quarter low

The Company cleanly converted 1,016 tonnes of tyres during the period, compared to 632 tonnes in the previous quarter, a gain of 61%. In the last 12 months Pearl has successfully reclaimed fuels, carbons and steel from over half a million tyres. Managing Director, Mr. Andrew Drennan said that, “increased production this quarter reflects the recovery as expected from the planned downtime and interruptions experienced last quarter. We are again now focused on the improvement and expansion of operations, and we still see significant and achievable volume gains that we can make. Our production availability increased this quarter and we continue to find improvements in our processing and handling procedures.”

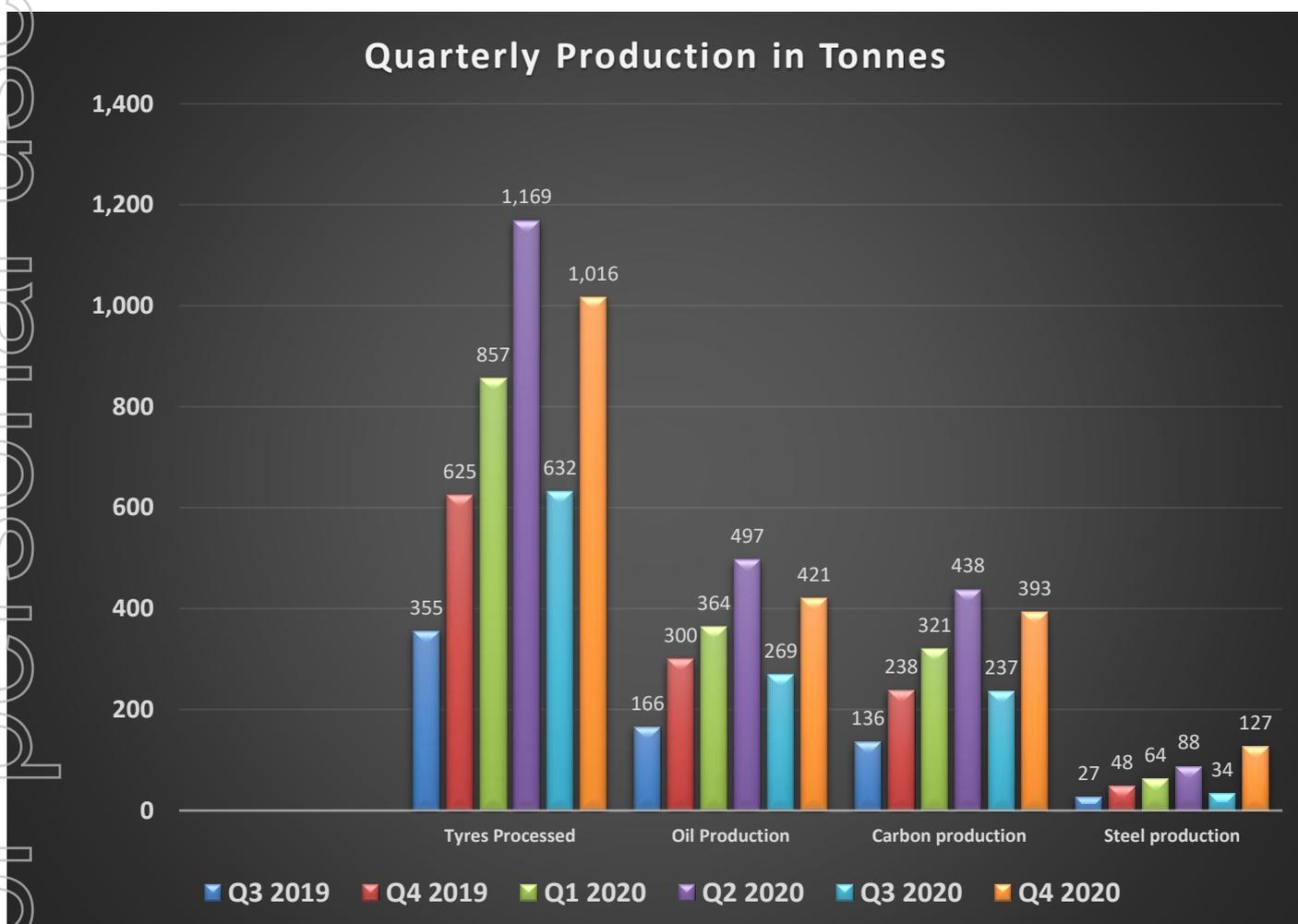


Chart 1: Processing and production outputs (Source: Company)

### Customer receipts

Customer receipts remained strong at \$515,000. However, given the previous quarter's (Q32020) production volume was lower, there was less product sold during the period which reduced receipts this quarter. Customer receipts were \$515,000 as compared to \$634,000 in the previous quarter. Additionally, pricing for sales were negatively impacted by lower global fuel prices and business restrictions in countries such as India due to Covid-19 responses.

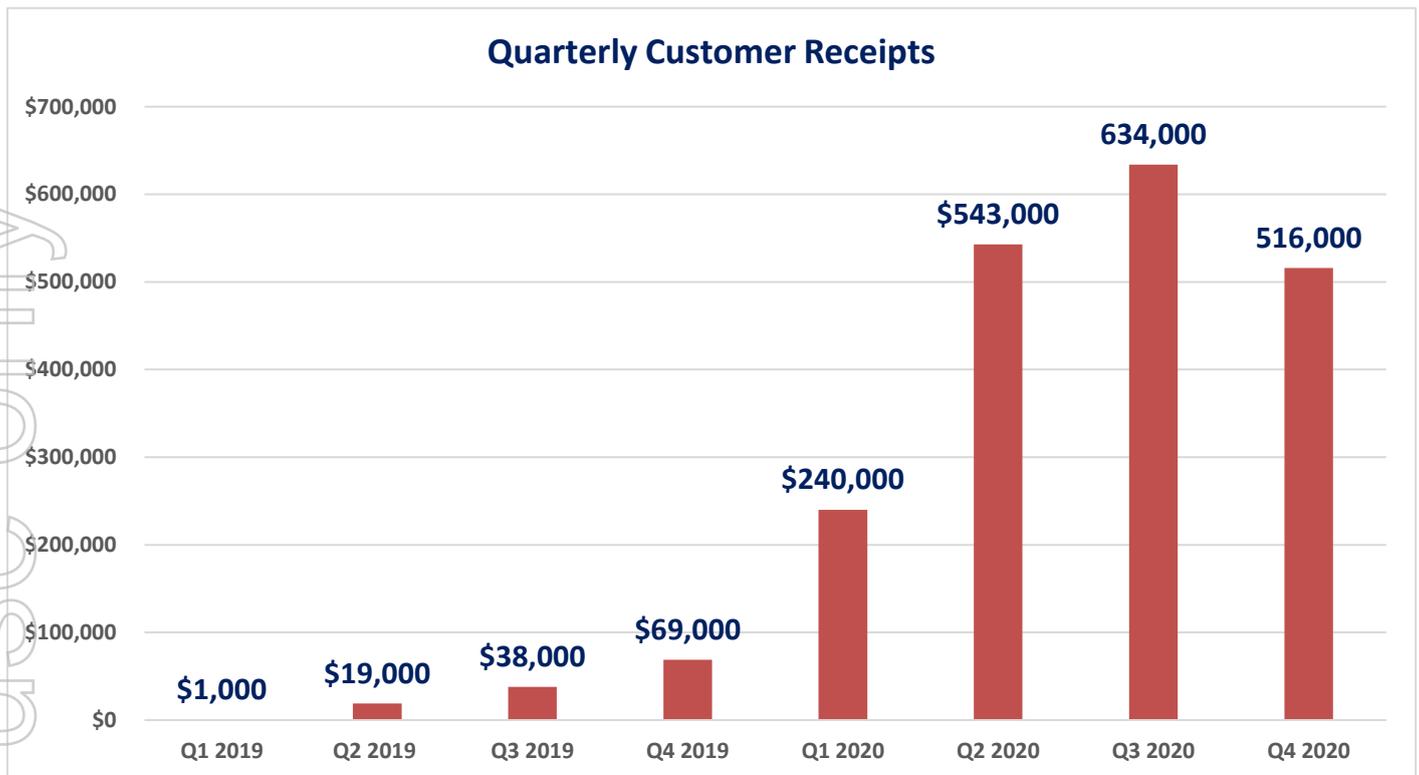


Chart 2: Customer receipts (Source: Company)

To combat fluctuations and potential impacts of future negative global events, unstable international fuel prices, and the potential for cyclical demand for Pearl's products, the Company continued to focus on expanding domestic sales opportunities. Building strong relationships with the likes of Aussee Road Services and the broader asphalt industry remains a key objective.

Chairman Mr. Gary Foster said that *"the last six months has been valuable for, Pearl Global, and potentially all companies and governments, in understanding the impacts of external elements on business. The unprecedented global dynamics such as Covid-19 and subsequent collapse in global oil prices, has justified our strategy to migrate from an international exporter to capture of domestic markets, focusing on long term partnerships such as Aussee Road Services. The asphalt industry is a large domestic market, using around ten million tonnes of virgin products for production requirements. So, we see sound reason to focus on providing a sustainable replacement for a portion of this ten million tonnes."*

#### **Update on supply agreement with local asphalt manufacturer, Aussee Road Services Pty Ltd (Aussee)**

Delays in the redesigning and commissioning of Aussee's Asphalt plant to enable processing of Pearl's fuels and carbon char has adversely impacted expected June quarter sales. Aussee has advised Pearl that delivery of "fit for purpose" equipment from Europe to address design changes to heating and HSE requirements was affected by Covid-19 restrictions. As of late July, all components had been ordered, with delivery of equipment either now received or due in the coming weeks. Whilst plant upgrades come at a significant cost, Aussee sees long term benefits in being aligned with Pearl both commercially and environmentally. Mr. David Simmons, General Manager of Aussee said that, "whilst we are disappointed with the delays, we are excited by the multitude of benefits the relationship that Aussee and Pearl bring each company. Not to mention the large benefits this will bring governments, councils and the community."

#### **Pearl's carbon char enhances asphalt characteristics.**

During the period, Aussee produced several batches of asphalt using Pearl's carbon char as a binding material. Results showed that using a small percentage of carbon char in Aussee asphalt recipes, there were multiple increases in the characteristics of the asphalt which produced a superior result.

## **\$5 million Capital raising**

In June the Company announced that it had received firm commitments for a two-tranche placement of 71.4 million shares at 7 cents to sophisticated and professional investors to raise up to \$5 million. Tranche 1 raised \$2.0 million and the second tranche to raise the remaining \$3 million is expected to be completed in early August. The funds are being raised to support part of the growth required to increase production in line with Pearl's planned commitment to maximise production at its Stapylton facility.

It is the Board's intention that any future public equity capital raisings, if required, would include an offer to existing shareholders whether through an SPP or a rights issue.

## **Tyre Stewardship Australia (TSA) commission media production of Pearl's business**

TSA has commissioned a media production video of Pearl's unique thermal desorption processing facility, showcasing the effectiveness of Australian innovation and entrepreneurship in solving the global issue of waste tyres. The video proposes to highlight Pearl's clean conversion process in producing commercially valuable products being used in asphalt manufacturing.

It is anticipated that this production will support the initiatives of TSA in finding meaningful solutions to Australia's waste tyre problem, with Pearl being at the forefront of innovation in this area. Once completed, Pearl shall make the completed version available to shareholders.

## **Update on global market conditions and Covid-19 impacts**

Pearl has remained operational through Covid-19 restrictions, and whilst production volumes have improved as anticipated, global oil prices and Covid-19 restrictions in overseas markets has continued to be challenging as highlighted above. Used tyre collections remain buoyant, however, product sales have been impacted by pricing and demand. Whilst current sales of fuels are to overseas markets, those product sales are dependent on market conditions and the outlook of each jurisdiction's impacts of Covid-19 and its economy.

## **Summary**

Whilst the period has been a challenging one, the commissioning of TDU3 has now successfully been completed which will support production gains in the upcoming September quarter. This quarter will also mark first receipt of Pearl's fuels by Aussee and once this supply channel is established, we expect strong demand from a broader domestic Asphalt/bitumen market. With over one hundred and fifty asphalt plants across Australia, the asphalt sector is highly competitive and motivated to utilise recycled assets in place of virgin resources.

Pearl remains a clear leader in innovation within our sector. The current global economy combined with timing delays of the Company's first domestic fuel and carbon sales did impact internal targets, however Pearl remains confident that the initiatives put in place over the last 6 months will deliver meaningful growth in the short to medium term.

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

Non-executive director fees	\$20,625
Executive director fees/salaries	\$135,553
	<u>\$156,178</u>

Authorised by:  
**Gary Foster**  
Chairman

**Further information, please contact:**  
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**Website** – <https://www.pearl-global.com.au>

### **About Pearl Global Limited**

*Pearl Global Limited (Pearl) (ASX:PG1) is a revolutionary tyre processing company that applies unique, next-generation thermal desorption technology to cleanly convert tyres into valuable secondary products including waste to energy opportunities. Pearl has Australia's first environmental approvals for the thermal treatment of rubber and is in the process of commissioning its first commercial scale production plant in Stapylton, Queensland. Pearl's technology is a significant advancement on other methods of processing waste tyres because it has low emissions, no hazardous by-products, requires no chemical intervention and is the only process that meets the standard emissions criteria set by the Australian regulators for this type of technology*

## Appendix 4C

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

**Name of entity**

PEARL GLOBAL LIMITED [ASX:PG1]

**ABN**

90 118 710 508

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

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	516	1,931
1.2 Payments for		
(a) research and development	-	(78)
(b) product manufacturing and operating costs	(170)	(2,480)
(c) advertising and marketing	-	-
(d) leased assets	(82)	(622)
(e) staff costs	(765)	(2,196)
(f) administration and corporate costs	(181)	(940)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(41)	(75)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	552	993
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(171)</b>	<b>(3,462)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	(428)
(b) businesses	-	-
(c) property, plant and equipment	(1,401)	(2,643)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	36
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(26)	(142)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,427)</b>	<b>(3,177)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,719	3,902
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	106
3.6	Repayment of borrowings	-	(141)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,719</b>	<b>3,867</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,474	5,330
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(171)	(3,428)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,427)	(3,177)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,719	3,867
4.5	Effect of movement in exchange rates on cash held	(1)	3
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,594</b>	<b>2,594</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,594	2,594
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,594</b>	<b>2,594</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	156
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(171)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,594
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,423
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	14.1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: n/a	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: n/a	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: n/a	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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## Compliance statement

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

Date: 31 July 2020

Authorised by: Gary Foster, Chairman  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.