

17 November 2020



Vanessa Nevjestic
Advisor, Listings Compliance
ASX Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

Dear Vanessa

Pearl Global Limited (PG1): Aware Query

I refer to your letter dated 10 November 2020 and provide the following information as requested:

Material Variances Information

1. Yes, PG1 did consider the Material Differences information to be information that a reasonable person might expect to have a material effect on the price or value of its securities. Importantly, the Material Differences were only considered sufficiently definite on 30 October 2020 in respect of disclosure (as further explained in paragraph 3 below).

It is noted that the Company had entered into a trading halt prior to the start of trading on 30 October 2020 in order to finalise a proposed capital raising and had agreed a price and quantum for the raising with the Lead Manger to the placement. Once the Company determined the Material Differences later in the day in 30 October 2020 it informed the potential investors who agreed to invest in the Company on unchanged terms.

2. Not applicable.

3. The majority of the Material Variances Information was not settled between the Company and its auditor so as to no longer be insufficiently definite to warrant disclosure until 30 October 2020. Those items that were sufficiently definite prior to that date were not of themselves significant to be considered to be information that a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Company became aware of each of the Material Variances Information items (as set out in paragraph B(3) of your letter) as set out below:

- a) These items were not considered to be a Material Difference of themselves requiring disclosure and until all other items on the profit and loss and balance sheet had been confirmed and agreed with the auditor, they were not sufficiently definite to warrant disclosure. The correct classification of these items was not confirmed until 30 October 2020.
- b) The updated R&D rebate calculation from the Company's tax consultant was provided to the auditor on 23 October 2020 for their review with the final confirmation part of the overall audit confirmation on 30 October.
- c) The Company became aware on 24 October 2020 that the incorrect method of depreciation had been used in prior years. The revisions to the fixed asset register were made and depreciation recalculated for all prior periods. The revised figures were confirmed with the auditor on 30 October 2020.
- d) Initial testing for impairment of assets by the Company indicated that no write down was required, based on expected assumptions and a proposal for a debt financing transaction that was underway but not yet complete. During the audit process the methodology and assumptions were reviewed

and the Company determined that an impairment charge was possible although the size could not yet be quantified as it depended on the outcome of the possible financing transaction. The final impairment charge was quantified on 30 October 2020 once all of the final inputs and assumptions were known.

- e) A recalculation of the tax benefit could only be applied once all other relevant adjustments had been confirmed, in particular the asset impairment referred to in (d) above. Therefore, this was also determined on 30 October 2020.
- f) The Company was made aware of the reclassification of term deposits with maturities over 3 months as other financial assets rather than cash or cash equivalents on 22 October 2020. This was not considered to be material as to warrant separate disclosure on that date.
- g) The requirement to reclassify the purchase costs of TDU3 from property, plant and equipment to development assets was not resolved until 30 October 2020.
- h) The reclassification of a loan of \$35,379 from a current payable to a non-current liability was not considered to be material as to warrant disclosure and was included in the Material Variances announcement for completeness purposes only.
- i) The Company did not become aware of the error until 22 October 2020. The error is not considered to be material as to warrant disclosure and was included in the Material Variances announcement for completeness purposes only.

4. No. Any information regarding the Material Variances the Company was aware of prior to the Relevant Date was either:

- a) not information that a reasonable person would expect to have a material effect on the price or value of its securities; or
- b) the information was insufficiently definite to warrant disclosure; and
- c) the information was at that time confidential and a reasonable person would not expect the information to be disclosed.

Once the Material Variance Information was definite the Company made the required disclosure noting that the securities of the Company were in a trading halt at the time.

Revised Net Loss

5. Yes

6. Not applicable

7. 30 October 2020.

8. Once the Revised Net Loss was confirmed the Company made the required disclosure noting that the securities of the Company were in a trading halt at the time.

Financial condition

9. The reasons as to why the directors consider that PG1 is a going concern are set out in Note 2. (y) in the Company's Annual Report. It is also noted that the Company has recently completed a capital raising of \$5 million and will be raising a further \$1.5 million with shareholder approval. This capital raising as well as the matters set out in the Annual Report are considered to be more than adequate to justify the Company's ability to continue as a going concern.

10. Yes. The directors consider the Company has sufficient working capital to be able to complete on its current business plan to take Pearl's operations to being cash flow positive in the next calendar year. This belief is supported by funded plans to expand production with:

- a) an additional TDU as well as a new rubber crumbing operation;
- b) an existing supply contract with Aussee Road Services; and
- c) the commencement of sales to Aussee Road Services and Stanley Road Services of Pearl's fuels and char products.

11. Not applicable.

12. PG1 confirms that it is complying with the Listing Rules and, in particular Listing Rule 3.1.

13. I confirm that the responses provided by PG1 to the questions in your letter have been authorised and approved by the Board of PG1.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Phillip MacLeod', written in a cursive style.

Phillip MacLeod
Company Secretary



10 November 2020

Reference: ODIN27208

Mr Phillip MacLeod
Company Secretary
Pearl Global Limited
Unit 9, 88 Forrest Street
Cottesloe, Western Australia 6011

By email: pmacleod@gapcs.com.au

Dear Mr MacLeod

Pearl Global Limited ('PG1'): Aware Query

ASX refers to the following:

- A. PG1's preliminary financial statement for the year ended 30 June 2020 lodged with ASX Market Announcements Platform ('MAP') and released on 31 August 2020 (the 'Preliminary Report').
- B. PG1's announcement entitled "*Annual Report Material Variances to Appendix 4E*" lodged on the ASX Market Announcements Platform on 30 October 2020 (the 'Relevant Date') (the 'Announcement'), disclosing, among other things, that:
 1. PG1's Preliminary Report recorded:
 - a net loss of AUD\$4,403,349 for the financial year ended 30 June 2020; and
 - net assets of AUD\$8,882,253 for the financial year ended 30 June 2020.
 2. PG1's Full Year Accounts, recorded, however:
 - a net loss of AUD\$9,284,966 for the financial year ended 30 June 2020 ('Revised Net Loss'); and
 - net assets of AUD\$4,287,330 for the financial year ended 30 June 2020.
 3. a number of material differences were contained between the Preliminary Report and the Full Year Accounts (*defined below*), including the following:
 - a) several revenue, expense and balance sheet items have been inconsistently classified with prior reporting year;
 - b) a Research and Development Claim of AUD\$762,359 receivable at balance date in the Preliminary Report has been revised to AUD\$581,415 in the Full Year Accounts;
 - c) depreciation has been recalculated in the Full Year Accounts utilising a straight-line method;
 - d) an impairment of assets utilising the testing methodology required under *Australian Accounting Standards Board 136 Impairment of Assets* has been applied to goodwill on development assets and other intangible assets and as a result, an impairment charge of AUD\$5,093,000 has been recognised in the Full Year Accounts;
 - e) a tax benefit of AUD\$398,008 in the Preliminary Report has been adjusted to AUD\$693,811 in the Full Year Accounts;
 - f) term deposits with long maturities have been reclassified as '*Other Financial Assets*' in the Full Year Accounts;

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- g) the purchase costs associated with the development asset 'TDU03' of \$1,360,400 have been reclassified from Property, Plant and Equipment in the Preliminary Report to Development Asset in the Full Year Accounts;
- h) a loan of AUD\$35,379 incorrectly classified as a payable in the Preliminary Report has been reclassified as a non-current financial liability in the Full Year Accounts; and
- i) the value of issued options which had not been recognised in the Preliminary Report, has been subsequently recognised in the Full Year Accounts
- (together, the 'Material Variances Information').
- C. PG1's audited full year accounts for the year ended 30 June 2020 lodged with MAP and released on 2 November 2020 (the 'Full Year Accounts').
- D. The Independent Auditor's Report attached to the Full Year Accounts ('Auditor's Report') contains an emphasis of matter which notes that material uncertainty exists that may cast significant doubt on PG1's ability to continue as a going concern.
- E. Listing Rule 12.2 which states:
- 12.2 *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied:
- "3.1A *Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 *One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - *The information is generated for the internal management purposes of the entity; or*
 - *The information is a trade secret; and*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 *A reasonable person would not expect the information to be disclosed."*

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- I. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Request for information

Having regard to the above, ASX asks PG1 to respond separately to each of the following questions and requests for information:

Material Variances Information

1. Does PG1 consider the Material Variances Information, or any part thereof to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "no", please advise the basis for that view.
3. When did PG1 first become aware of the Material Variances Information or any part thereof? In answering this question, please address each item of the Material Variance Information respectively.
4. If PG1 first became aware of the Material Variances Information or any part thereof before the Relevant Date, did PG1 make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe PG1 was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps PG1 took to ensure that the information was released promptly and without delay.

Revised Net Loss

5. Does PG1 consider the Revised Net Loss to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
6. If the answer to question 5 is "no", please advise the basis for that view.
7. When did PG1 first become aware of the Revised Net Loss?
8. If PG1 first became aware of the Revised Net Loss before the Relevant Date, did PG1 make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe PG1 was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps PG1 took to ensure that the information was released promptly and without delay.

Financial condition

9. Given the Auditor's Report contains an emphasis of matter which notes that material uncertainty exists that may cast significant doubt on PG1's ability to continue as a going concern, and that PG1 has cash and cash equivalents of approximately AUD\$1,886,946 and total current liabilities of approximately AUD\$2,857,211 as at 30 June 2020, on what basis do the directors consider that PG1 is a going concern.
10. Does PG1 consider that the financial condition of PG1 is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
11. If the answer to questions 10 is "No", please explain what steps PG1 has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.2.

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12. Please confirm that PG1 is complying with the Listing Rules and, in particular, Listing Rule 3.1.
13. Please confirm that PG1's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PG1 with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AWST Tuesday, 17 November 2020**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PG1's obligation is to disclose the information 'immediately'.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, PG1 should have regard to PG1's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that PG1's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Vanessa Nevjestic
Adviser, Listings Compliance (Perth)