PEARL GLOBAL LIMITED

ACN 118 710 508

NOTICE OF EXTRAORDINARY GENERAL MEETING

AND

EXPLANATORY STATEMENT

For the Extraordinary General Meeting to be held on

29 January 2021 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. 3) 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	**Commencing**
Level 2, Kay House, 35-39 Scarborough Street, Southport, Queensland	**at** 10 am (Eastern Standard Time) **on** 29 January 2021.

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 (Eastern Standard Time) on 27 January 2021**, 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 27 January 2021 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 29 January 2021 at 10am (EST) for the purpose of transacting the following business.

Due to the ongoing COVID-19 pandemic and strict limitation on physical attendance, the Company has taken steps to ensure attendance in person is in adherence to COVID-19 protocols. If the situation in relation to COVID-19 changes in a way that affects the Company's ability to facilitate an in-person Meeting as currently proposed, the Company will provide a further update ahead of the Meeting by releasing an announcement on the ASX market announcements platform.

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 Tranche 1 Placement Shares (November 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 42,000,000 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 2 – Ratification of prior issue of Tranche 1 Placement Shares (November 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 13,555,556 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 3 - Approval for the issue of Tranche 2 Placement Shares (November 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 16,666,667 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*."

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An independent expert report has been commissioned by the Company to opine on whether the transaction (ie the acquisition of the Tranche 2 November 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.

By order of the Board

Phillip MacLeod
Company Secretary
21 December 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 TRANCHE 1 PLACEMENT SHARES (NOVEMBER PLACEMENT) ISSUED UNDER LR 7.1

1.1 Background

On 3 November 2020, the Company announced a capital raising to raise approximately $6.5 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 9 cents per Share (**November Placement**), with Bell Potter Securities as lead managers. The November Placement is to be made in two tranches.

Tranche 1 of the November Placement has completed as follows (**Tranche 1**):

(a) 55,555,556 Shares were issued on 9 November 2020 to raise $5,000,000.04 of which:

  (i) 42,000,000 of those Shares were issued under Listing Rule 7.1; and

  (ii) 13,555,556 of those Shares were issued under Listing Rule 7.1A.

(b) Funds raised from the Tranche 1 issue are to be used for further expansion of Pearl's facility at Stapylton, Queensland with expenditure to be targeted for construction of an additional Thermal Desorption Unit (**TDU**); additional shredding and rubber crumbing equipment to increase production volumes and revenues; and the establishment and tooling for in-house maintenance to reduce ongoing costs. A detailed summary of the use of the funds is set out in the table below:

Use of Funds		**A$M**
1.	Capital purchase of onsite recycling equipment to assist in production increases	1.50
2.	Capital purchase of tyre processing equipment	1.40
3.	Tooling and scaling up in in-house maintenance crew	1.20
4.	Working capital	0.65
5.	Offer selling/management fee	0.25
	Total	**5.00**

(c) The Tranche 1 Shares were issued pursuant to the Company's placement capacity under ASX Listing Rule 7.1 and 7.1A (with 42,000,000 of the Shares issued under Listing Rule 7.1 and the remaining 13,555,556 Shares under Listing Rule 7.1A).

(d) The Company paid a fee of 5% to Bell Potter Securities (which comprised a 2.5% management fee and a 2.5% selling fee) totalling $250,000 (exclusive of GST):

(i) the fee for those Shares issued under Listing Rule 7.1 was $189,000 (exclusive of GST); and

(ii) the fee for those Shares issued under Listing Rule 7.1A was $61,000 (exclusive of GST).

Resolution 1 seeks Shareholder approval and ratification pursuant to Listing Rule 7.4 for the issue of 42,000,000 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 42,000,000 Shares issued under Listing Rule 7.1 under Tranche 1 of the November 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 42,000,000 Shares under Tranche 1 of the November Placement under and for the purposes of Listing Rule 7.4.

If Resolution 1 is passed, the prior issue of 42,000,000 Shares made under Tranche 1 of the November 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 November Placement.

If Resolution 1 is not passed, the prior issue of 42,000,000 Shares made under Tranche 1 of the November 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 November Placement.

Tranche 2 of the November Placement of the November Placement will occur, subject to receipt of shareholder approval under Resolution 3. Details of tranche 2 of the November Placement are contained in section 3 of this explanatory statement.

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) A total of 42,000,000 Shares were issued under Listing Rule 7.1 on 9 November 2020.

(b) The Shares were issued at a price of $0.09 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 who are exempt from the disclosure requirements under Chapter 6D of the Corporations Act identified and 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. For the avoidance of doubt, none of the recipients were issued more than 1% of the Company's current issued capital who were:

    (i) A member of the key management personnel;

    (ii) A substantial holder of the entity;

    (iii) An adviser of the entity; or

    (iv) An associate of any of the above.

(e) The funds raised from the issue of the Tranche 1 Shares are to be used in accordance with the table set out in paragraph 1.1(b) above.

(f) The Shares were not issued under a relevant agreement;

(g) A voting exclusion statement is included in the Notice.

1.3 Board Recommendation

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

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2 RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 1 PLACEMENT SHARES (NOVEMBER PLACEMENT) ISSUED UNDER LR 7.1A

2.1 Background

On 3 November 2020, the Company announced a capital raising to raise approximately $6.5 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 9 cents per Share (November Placement), with Bell Potter Securities as lead managers. The November Placement is to be made in two tranches.

Tranche 1 of the November Placement has completed as follows:

(a) 55,555,556 Shares were issued on 9 November 2020 to raise $5,000,000.04 of which:

    (i) 42,000,000 of those Shares were issued under Listing Rule 7.1 and

    (ii) 13,555,556 of those Shares were issued under Listing Rule 7.1A.

(b) The funds raised from the issue of the Tranche 1 Shares are to be used in accordance with the table set out in paragraph 1.1(b) above. The Tranche 1 shares were issued pursuant to the Company's placement capacity under ASX Listing Rule 7.1 and 7.1A (with 42,000,000 of the Shares issued under Listing Rule 7.1 and the remaining 13,555,556 shares under Listing Rule 7.1A).

(c) The Company paid a fee of 5% to Bell Potter Securities (which comprised a 2.5% management fee and a 2.5% selling fee) totalling $250,000 (exclusive of GST):

(i) the fee for those Shares issued under Listing Rule 7.1 was $189,000 (exclusive of GST); and

(ii) the fee for those Shares issued under Listing Rule 7.1A was $61,000 (exclusive of GST).

Resolution 2 seeks Shareholder approval and ratification pursuant to Listing Rule 7.4 for the issue of 13,555,556 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 13,555,556 Shares issued under Listing Rule 7.1A under Tranche 1 of the November 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 November Placement under and for the purposes of Listing Rule 7.4.

If Resolution 2 is passed, the prior issue of 13,555,556 Shares issued under Listing Rule 7.1A under Tranche 1 of the November 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 November Placement.

If Resolution 2 is not passed, the prior issue of 13,555,556 Shares issued under Listing Rule 7.1A under Tranche 1 of the November 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 November Placement.

Tranche 2 of the November Placement of the November Placement will occur, subject to receipt of shareholder approval under Resolution 3. Details of tranche 2 of the November Placement are contained in section 3 of this explanatory statement.

2.2 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 2:

(a) A total of 13,555,556 Shares were issued under Listing Rule 7.1A on 9 November 2020.

(b) The Shares were issued at a price of $0.09 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 exempt from or outside the disclosure requirements under Chapter 6D of the Corporations Act identified and 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. For the avoidance of doubt, none of the recipients were issued more than 1% of the Company's issued capital who were:

   (i) A member of the key management personnel;

   (ii) A substantial holder of the entity;

   (iii) An adviser of the entity; or

   (iv) An associate of any of the above.

(e) The funds raised from the issue of the Tranche 1 Shares are to be used in accordance with the table set out in paragraph 1.1(b) above.

(f) The Shares were not issued under a relevant agreement;

(g) A voting exclusion statement is included in the Notice.

2.3 Board Recommendation

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

3 RESOLUTION 3 – APPROVAL FOR THE ISSUE OF SHARES IN THE COMPANY TO ROC ASSET MANAGEMENT

3.1 Background

On 3 November 2020, the Company announced a capital raising to raise approximately $6.5 million through the issue of Shares to sophisticated and professional investors (as described in section 708 of the Corporations Act) at a price of 9 cents per Share (November Placement), with Bell Potter Securities as lead managers. The November Placement is to be made in two tranches.

Tranche 1 of the November Placement has completed as set out in Section 1 and Section 2 of this Explanatory Statement and $5,000,000.04 has been raised under the Tranche 1 issue.

Resolution 3 seeks Shareholder approval for the issue of Shares under tranche 2 of the November Placement as announced to ASX on 3 November 2020 to ROC Asset Management, being a total of 16,666,667 Shares at an issue price of $0.09 per Share to raise the balance of $1,500,000 (**Tranche 2**).

Prior to the issue of 1,714,286 Shares as announced on 14 October 2020 (**October Issue**) and the Tranche 1 November Placement Shares (as described in Sections 1 and 2 of this Explanatory Statement), ROC Asset Management's voting power in the Company was approximately 22.45%. As a result of the issue of these Shares, ROC Asset Management's voting power in the Company has been diluted to 18.83%.

ROC Asset Management, or its nominee, intends to participate in Tranche 2 of the November Placement to the level required to ensure that its voting power in the Company, at the close of the issue of the Tranche 2 Shares, increases to approximately 22.46% (being at our about the level it was at prior to October and November issues described above). This will be achieved by ROC Asset Management subscribing for 16,666,667 Shares as the Tranche 2 November Placement for $1,500,000 (**ROC Acquisition**).

Funds raised from the Tranche 2 issue are planned to be used for further working capital and the costs associated with the issue.

3.2 Shareholder approval - Item 7 of section 611 of the Corporations Act

Resolution 3 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 22.46%.

If Resolution is not approved, then ROC Asset Management's interest in the Company will be the reduced level of 18.83% which is below 22.46%.

3.3 Listing Rule 10 approval NOT required

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 10.12) and therefore approval under Listing Rule 10.11 is not required in respect of the ROC Acquisition.

3.4 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.

3.5 Reason why item 7 of section 611 approval is required

Prior to the October Issue and the issue of the of Shares under Tranche 1 of the November Placement, ROC Asset Management held an interest of 22.45% of the total Shares in Pearl.

As a result of the October Issue and the issue under Tranche 1 of the November Placement ROC Asset Management currently holds 18.83% 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>	52,466,066	14.77%	12.93%	Nil
ROC Management Services Pty Ltd ATF The ROC Capital Coinvestment Trust	314,961	0.09%	0.08%	Nil

Perpetual Corporate Trust Ltd <Roc Espet>	14,121,841	3.97%	3.48%	Nil
Total	66,902,868	18.83%	16.49%	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 3:

(a) In the event that the ROC Acquisition occurs, ROC Asset Management's ownership will increase.

(b) Section 3.8 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 1 of this Explanatory Memorandum.

3.6 Impact on the Company

In regards to Resolution 3:

(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 3:

(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 October Issue and the issue of the Tranche 1 November Placement Shares.

(ii) Overall, there is no material net change to ROC Asset Management's voting power in the Company (to the level it was prior to the October Issue).

(iii) Had the October Issue not occurred and the November 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 November 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 would result in a modest increase in ROC Asset Management's overall shareholding in the Company, considering its current ownership in the Company of 18.83%.

(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 3:

(i) The acquisition may increase the voting power of ROC Asset Management as set out in Section 3.8 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 the future.

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

3.7 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 18.83% 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.

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

In regards to Resolution 3 the table below 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) all other resolutions are 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	355,332,531	288,429,663	66,902,868	66,902,868
Current percentage	100%	81.17%	18.83%	16.49%

Total number after ROC Acquisition	371,999,198	288,429,663	83,569,535	83,569,535
Total % after ROC Acquisition	100%	77.54%	22.46%	19.79%

3.9 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.

3.10 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.

3.11 Role of the Independent Expert

The Independent Expert's Report, which is provided in Schedule 1, 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 3 is not fair but is reasonable.

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

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.

"**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 608 881 072 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.

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

SCHEDULE 1 – INDEPENDENT EXPERT REPORT

Pearl Global Limited

Proposed Transaction

Issue of 16,666,667 fully paid ordinary shares to Roc Asset Management Pty Ltd and its associates

Independent Expert's Report and Financial Services Guide

8 December 2020

In our opinion:

The Proposed Transaction is not fair but reasonable

FINANCIAL SERVICES GUIDE

Dated: 8 December 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 21 December 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 Transaction.

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 $15,000 (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 $74,572 (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 Transaction.

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.

Nexia Australia

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

Nexia Australia

8 December 2020

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

Dear Sirs,

Independent Expert's Report on the Proposed Issue of 16,666,667 Fully Paid Ordinary Shares to Roc Asset Management Pty Ltd and Its Associates

1. OUTLINE OF THE PROPOSED TRANSACTION

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 proposed issue of 16,666,667 Shares to Roc Asset Management Pty Ltd and/or its associates ("ROC") (the "Proposed Transaction").

1.1. Background of Proposed Transaction

On 3 November 2020, the Company announced a planned capital raising, raising $6.5 million through a two-tranche placement of approximately 72.2 million fully paid ordinary shares at a price of $0.09 per Share ("November Placement"). In the announcement, the Company announced it had received commitments for $5 million through the issue of 55,555,556 Shares ("Tranche 1 November Placement Shares") at a price of $0.09 each ("Tranche 1 November Placement"). On 9 November 2020, the Tranche 1 November Placement Shares were issued to sophisticated and professional investors under the Company's current placement capacity.

The funds raised from the Tranche 1 November Placement are to be used for further expansion of Pearl's facility at Stapylton, Queensland with expenditure to be targeted for construction of an additional thermal desorption unit ("TDU"), additional shredding and rubber crumbing equipment to increase production volumes and revenues, and the establishment and tooling for in-house maintenance to reduce ongoing costs. Funds will also be used for the costs associated with the issue of the Tranche 1 November Placement Shares and general working capital.

The second tranche of the November Placement will be the issue of 16,666,667 Shares to ROC ("Tranche 2 November Placement Shares") to raise the balance of $1.5 million ("Tranche 2 November Placement"). Funds raised from the Tranche 2 November Placement Shares are planned to be used for further working capital and the costs associated with the issue of the Tranche 2 November Placement Shares.

Prior to the issue of 1,714,286 Shares as announced on 14 October 2020, issued in lieu of a $156,000 cash payment due as final consideration for the purchase of Australian Tyre Processors Pty Ltd, ("October Issue") and the Tranche 1 November Placement Shares, ROC's voting power in the Company was approximately 22.45%. As a result of the October Issue and the Tranche 1 November Placement Shares, ROC's voting power in the Company has been diluted to 18.83%.

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ROC has committed $1.5 million to participate in the Tranche 2 November Placement. This amount implies that its voting power in the Company, at the close of the issue of the Tranche 2 November Placement Shares, will increase to approximately 22.46%, being approximately the same level it was at prior to the October and Tranche 1 November Placement issues described above.

The completion of the Tranche 2 November Placement and the participation of ROC in the Tranche 2 November Placement is subject to shareholder approval at the EGM to be held on or around January 2021. Specifically, the approval of the issue of Shares to ROC under the Tranche 2 November Placement is the subject of Resolution 3 in the NoM, which indicates the issue of 16,666,667 Shares at $0.09 each to ROC, subject to shareholder approval.

However, if the Resolution 3 is not approved by the shareholders of Pearl, ROC's interest in the Company will remain at the reduced level of 18.83% (as shown in section 5.6.1).

2. PURPOSE OF REPORT

The purpose of this Report is to advise the shareholders of Pearl on the fairness and reasonableness of the Proposed Transaction.

2.1. Legislation Requiring Shareholder Approval and Report for Proposed Transaction

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 at a general meeting.

As stated in the NoM, the Proposed Transaction does not require shareholder approval under Listing Rule 10.11 as an issue of securities that has been approved for the purposes of item 7 of section 611 of the Corporations Act is an exception to Listing Rule 10.11.

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. 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. 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 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 the Proposed Transaction is fair and reasonable to the non-associated 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 of the Proposed Transaction

As discussed in section 4, in determining whether or not the Proposed Transaction is fair to the non-associated shareholders of Pearl, we have compared the fair value of a Pearl Share on a control basis before the Proposed Transaction, to the fair value of a Pearl Share on a minority basis after the Proposed Transaction.

This is summarised below:

Proposed Transaction	Low	Mid	High
Fair value of a Pearl Share on a control basis, pre the Proposed Transaction	$0.109	$0.122	$0.136
Fair value of a Pearl Share on a minority basis, post the Proposed Transaction	$0.083	$0.095	$0.107

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

3.2. Assessments of Reasonableness of the Proposed Transaction

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 10):

Advantages	Disadvantages
▪ Access to funds to support the expansion of Pearl's current facility including an additional TDU as well as equipment and tooling to increase volumes and reduce costs; ▪ Access to funds for costs required for the ongoing expansion of production and working capital; ▪ No material net change to ROC's voting power compared to prior to the October Issue and announcement of the November Placement; ▪ ROC's demonstration of ongoing support; ▪ ROC has no current intentions to make any significant changes to Pearl; and ▪ ROC will not be receiving selective treatment under the Proposed Transaction.	▪ 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 the Proposed Transaction does not proceed, the Company will have sufficient cash to finance the fourth TDU. However, alternative funding would have to be secured to finance any further TDUs beyond the construction of a fourth TDU. Note that, given the potential for further COVID-19 uncertainty, there is a risk that finding alternative sources of funding in the future might be challenging.

If the Proposed Transaction does not proceed, this will slow the Company's plans to construct further TDUs and to increase its production capacity, as the Company will need to seek alternative funding. Without the opportunity to increase the production capacity, the Company would not be able to optimise delivery or revenue from the carbon char and fuels offtake agreement, and may limit opportunities to target new sales channels.

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

3.3. Opinion

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

The ultimate decision on whether to approve the Proposed Transaction 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 Proposed Transaction.

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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6. INDUSTRY ANALYSIS AND ECONOMIC OUTLOOK 28
7. VALUATION METHODOLOGIES 31
8. FAIR VALUE OF PEARL SHARES UNDER THE PROPOSED TRANSACTION 32
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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.

The Proposed Transaction 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 as follows:
  - 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 the Proposed Transaction is fair to the shareholders of Pearl, we have compared the fair value of a Pearl Share on a control basis before the Proposed Transaction to the fair value of a Pearl Share on a minority basis after the Proposed Transaction.

In our assessment of the reasonableness of the Proposed Transaction, 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 the Proposed Transaction not proceeding;
- the liquidity of the market in Pearl's securities;
- the likely market price if the Proposed Transaction 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 10.

4.1. Individual Shareholders' Circumstances

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

4.2. 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 Transaction 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.

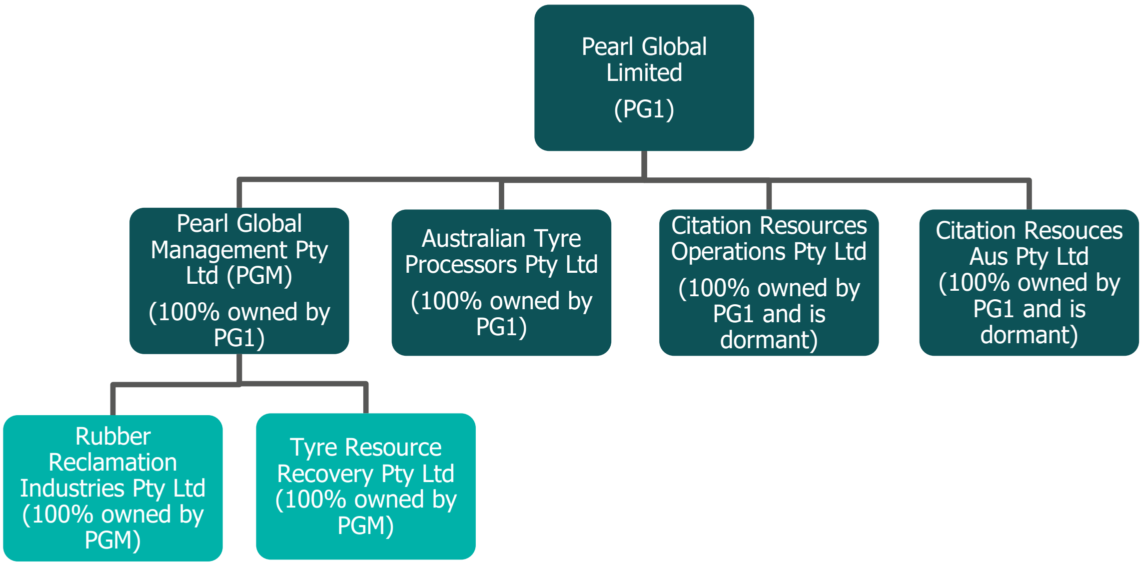
This Report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this Report which may impact upon this Report or which may impact upon the assumptions referred to in the Report.

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: Pearl's 30 June 2020 Annual Report

5.2. Operations

5.2.1. <u>Overview</u>

Pearl is a developing industrial technology company focussed on the clean conversion of waste tyres. Its unique, thermal desorption technology converts end-of-life tyres into valuable secondary products being fuel oil (replacing diesel), steel, carbon char (replacing coal and other fillers) and clean gas (for power generation). Pearl's technology is a significant advancement on other methods of processing waste tyres. It has low emissions, no hazardous waste products, requires no chemical intervention and is the only process operational that meets the standard emissions criteria set by the Australian regulators for this type of technology.

Pearl holds Australia's first environmental approvals to operate and process rubber through its thermal treatment plant. Pearl is the only EPA licensed tyre processing company that is operating commercially using the process of thermal desorption. In September 2019, Pearl was the first business to be awarded a grant under the Queensland Government's Waste to Biofutures program. The Company secured a $250,000 dollar for dollar grant to implement stage 1 of its waste to energy plan, which will convert existing clean waste gases to power for its own use, reducing the requirement and cost of relying on grid power.

During the financial year ended 30 June 2020 ("FY 2020"), the Company moved from commissioning to its first operational phase and made its first commercial sales from its production facility located in Stapylton, Queensland. To better oversee operations and drive the business and its plans for expansion, in January 2020, Pearl's corporate office relocated from Perth to the Stapylton site. Executive Directors, Mr Drennan and Mr Foster, also relocated to Queensland.

In August 2019, Pearl acquired Australian Tyre Processors Pty Ltd ("ATP"). Total consideration paid was $765,000 comprising $600,000 cash and 1.5 million ordinary shares in Pearl valued at $165,000. ATP collects and shreds tyres for Pearl's thermal desorption processing, therefore the acquisition has synergistic benefits to the Pearl since it secures a consistent supply of feedstock for its process and increases gate fee revenues. The acquisition of ATP led to Pearl expanding its footprint at its location in Stapylton allowing ATP to integrate with Pearl on a co-location basis, providing better operational oversight. The site expansion also allowed for further thermal desorption units to be built and housed at Pearl's existing facility.

During FY 2020, ATP secured an $800,000 dollar for dollar grant from the Queensland Government. The Grant was provided due to the strong environmental benefits of ATP providing its shredded tyres to Pearl's clean conversion process.

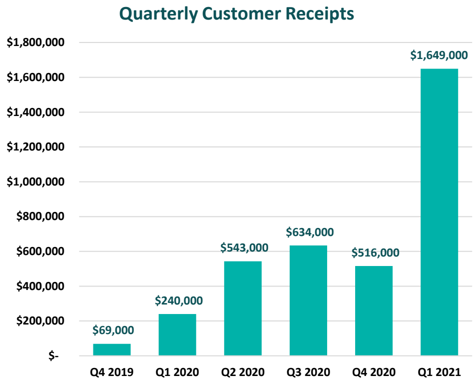
The ramping up of Pearl's existing operations and the ATP acquisition resulted in strong growth during FY 2020. The clean conversion of waste tyres processed increased to 3,674 tonnes (from 1,125 tonnes in FY 2019). Liquid fuels produced from operations increased to 1,543 tonnes (from 472 tonnes in FY 2019), carbon char to 1,322 tonnes (from 405 tonnes in FY 2019) and steel to 367 tonnes (from 112 tonnes in FY 2019). The revenue from customers grew from $173,226 in FY 2019 to $1.92 million in FY 2020.

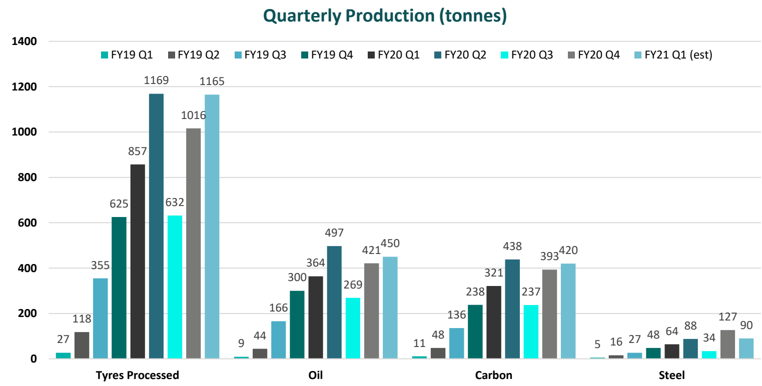
Given the increased demand from used tyre customers to utilise Pearl's business to dispose of their tyres the Company announced plans to construct a third TDU to be installed in mid-2020. COVID-19 delayed certain parts and equipment coming from China, but completion of the build and commissioning of TDU3 was successfully completed in June 2020.

On 30 October 2020, the Company released its quarterly results for the quarter ended 30 September 2020 ("Q1 FY 2021") and highlighted a strong rise in Pearl's tyre collections resulting in a 220% increase in customer cash receipts, from $516,000 in Q4 FY 2020 to $1,649,000 in Q1 FY 2021. The Company's used tyre collection activities benefited from increased demand from used tyre collectors who are shifting from their previous export focused solution (which is being phased out ahead of the export ban which was announced by the Federal Government) towards Pearl's environmentally friendly solution. This has allowed Pearl to secure a strong supply chain of used tyres.

Also, during Q1 FY 2021, the Company's processing operations continued to improve with the Company cleanly converting 1,165 tonnes of waste tyres during the quarter, the equivalent of approximately 145,000 passenger car tyres, compared to 1,016 tonnes in the previous quarter, a gain of 12.8%. In preparation for an expected increase in domestic sales in the December 2020 quarter ("Q2 FY 2021"), the Company has built up its inventory of fuels and carbon char products. It is expected that Q2 FY 2021 will see a continued increase in production volume.

The Company's quarterly customer receipts and production volumes are shown below:

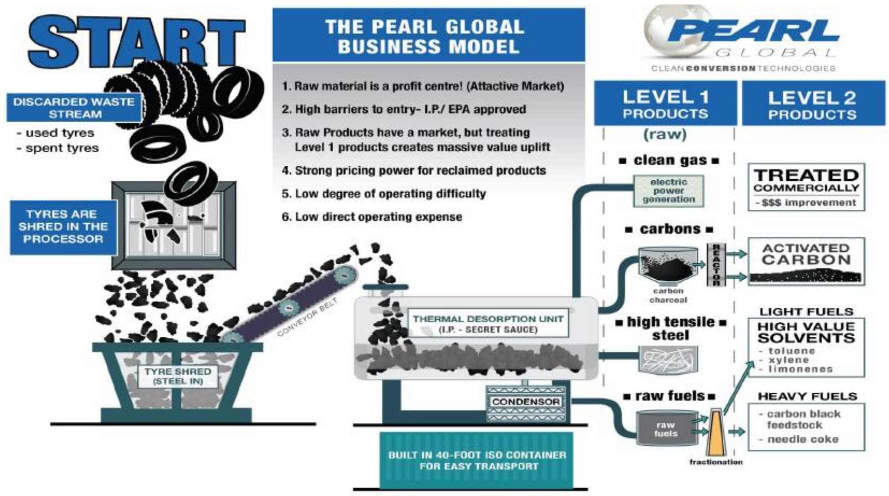




Source: Pearl's 30 October 2020 Quarterly Activities Report

5.2.2. Business Model

Pearl's business model schematic is as follows:



Source: 3 November 2020 Investor Presentation

5.2.3. Product

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

- Fuel oils which performs similarly to diesel. Also used as furnace / heating oil. It can be further processed for valuable solvents and very high-grade carbon black, which has numerous applications;
- High tensile steel sold to recyclers worldwide and re-used in the manufacturing and steel industries;
- Carbon char for the asphalt industry as a binder and filler; and
- Clean gas for energy use.

The potential for further value creation is part of the Company's ongoing investment in product development across hydrocarbons / fuels, clean exhaust gases and carbon char.

5.2.4. Customers

In April 2020, the Company entered into a 5 year offtake agreement with Aussee Road Services Pty Ltd ("Aussee") that was an exclusive asphalt sector only agreement within the geographical region of Queensland to supply Pearl's fuels and carbon char products. The agreement is to supply up to 10,000 tonnes per annum of fuels and 7,000 tonnes of carbon char, with the fuel being used as a diesel replacement for energy to Aussee's plant and the carbon char used in Aussee's asphalt production process. Due to Aussee having significant COVID-19 delays during 2020 in the build and commissioning of their asphalt plant, the current agreement is being renegotiated. However, the parties have agreed that the relationship between the parties is now non-exclusive.

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.

Given the non-exclusive nature of the relationship between Aussee and Pearl, the Company has been working towards securing further sales channels for its fuels, carbon char and steel. For example, it has had success with a number of asphalt companies showing strong interest in understanding the positive ESG, financial and product enhancement benefits to their operations. Recently, a second asphalt manufacturer, Stanley Roads Pty Ltd, successfully completed trials of both Pearl's fuels and carbon char. Fuels being used in its fuel burner system to create energy and as a replacement to diesel, and carbon char used within the asphalt blends.

5.2.5. Suppliers

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

Each year in Australia around 56 million tyres reach end-of-life, of which approximately 20% are recycled. The rest have been either exported overseas or disposed to landfill, stockpiled and illegally dumped. Following the Federal Government's October 2020 announcement that it was banning the export of certain waste streams, including waste tyres, the conditions for future supply of used tyres have improved. With strong Government policy supporting Pearl's business model, in being able to deal with the issue of waste tyres within Australia, it is expected that there will be an increase in demand for Pearl's services.

Refer to section 5.2.7 where the impact of COVID-19 on the Company's supply chain is discussed.

5.2.6. Growth Opportunities and Strategy

The Company has been operating with three TDUs (with the TDU3 build and commissioning successfully completed in June 2020). The Company is continuing to ramp up processing of recycled tyres and plans to build-out its facility at Stapylton (which has capacity for six TDUs), including the construction of a fourth TDU, using the funds raised from the November Placement.

In terms of the Aussee offtake agreement (refer to section 5.2.4), the amount of raw fuels and carbon char supplied by Pearl is dependent on Pearl's production capacity and the ultimate demand from Aussee and Stanley's is expected to support production from 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 expansion opportunities and possible joint venture partners as part of its expansion strategy.

5.2.7. Impact of Coronavirus (COVID-19)

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Pearl operations have continued throughout COVID-19, however there have been impacts to various parts of Pearl's operations and financial results, for example:

- *Delay in delivery of imported components* - The delivery of certain components of TDU3 was delayed, however completion of the build and commissioning of TDU3 was successfully completed in June 2020. Also, the commissioning period of Aussee's asphalt plant was delayed due to a delay in upgrade components coming from Germany, but commissioning has since been successfully completed.
- *Tyre collections* - Initially towards the beginning of the COVID-19 pandemic, reduced activity in retail tyre stores led to fewer used tyres being disposed. By having a diversified mix of tyre collection customers and carrying four weeks of supply, Pearl was able to reduce the risk of being short supplied. More recently, the Federal Government's ban on waste tyre exports has resulted in increased demand for Pearl's used tyre collection activities from used tyre collectors who are shifting from their previous export focused solution towards Pearl's environmentally friendly solution.
- *Operations staff* - Precautionary measures had been taken to reduce the risk of the health of the Company's workers. No cases of COVID-19 have 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* - In Q4 FY 2020, Pearl's product sales were impacted by weaker pricing and demand. However, used tyre collections remain buoyant. Sales were also impacted by COVID-19 related delays in the shipment of components which impacted the timing of the build and commissioning of TDU3 and the commissioning of the Aussee's asphalt plant. However, the commissioning of both has now been completed. Also, Pearl's recent customer receipts have benefited from increased demand for its used tyre collection activities. Pearl has also built up its inventory of fuels and carbon char products in preparation for an expected increase in domestic sales in the current quarter.
- *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 this Report, the Board had not yet discussed any details of when the Keshi Call Option may be executed from a timing perspective. The Company has advised that it has engaged its legal advisors to assess the process of rolling in 100% of the IP into Pearl. At the date of the Report, no further steps have been taken in this regard.

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 Transaction as outlined in section 1.1. 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 2018, 2019 and 2020 ("FY 2018", "FY 2019" and "FY 2020" respectively).

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 FY 2020 were unqualified, 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 2020 contained key audit matters ("KAMs") with regards to impairment of intangible 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 2019 also contained 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.

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

5.5.1. Statement of Profit or Loss and Other Comprehensive Income

Set out below is the summary of the audited Statement of Profit or Loss and Other Comprehensive Income of Pearl for FY 2018, FY 2019 and FY 2020:

$	Notes	FY 2018 (Restated)	FY 2019 Audited	FY 2020 Audited
Revenue from customers		2,000	173,226	1,923,525
Revenue from R&D		1,265,084	554,549	1,383,915
Revenue from COVID-19 related grants and receipts		-	-	160,000
Other Income		-	134,083	128,926
Total Revenue	**1**	**1,267,084**	**861,858**	**3,596,366**
Operating Expenses		(933,915)	(1,748,546)	(3,595,973)
Employee benefit expense		(614,821)	(1,079,225)	(1,379,936)
Other expenses		(1,950,926)	(2,037,594)	(2,252,670)
EBITDA	**2**	**(2,232,578)**	**(4,003,507)**	**(3,632,213)**
Gain on disposal of non-current asset		-	-	115,357
Depreciation and amortisation		(363,558)	(583,287)	(1,299,883)
Impairment expense		-	-	(5,092,766)
EBIT	**2**	**(2,596,136)**	**(4,586,794)**	**(9,909,505)**
Interest income		11,317	5,980	5,018
Interest and finance costs		(11,871)	(10,709)	(74,290)
Listing costs		(884,511)	-	-
Share based payments		(680,113)	-	-
Net loss from ordinary activities before income tax expense		**(4,161,314)**	**(4,591,523)**	**(9,978,777)**
Income tax expense		(558,945)	(118,531)	693,811
Net loss from ordinary activities		**(4,720,259)**	**(4,710,054)**	**(9,284,966)**
Key ratios				
Change in revenue from customers from PY	**1**	*(70%)*	*N/A*	*1,010%*
Change in R&D grants received from PY		*N/A*	*(56%)*	*150%*
Change in operating expenses from PY		*19%*	*87%*	*106%*
Change in employee benefit expense from PY		*178%*	*76%*	*28%*
EBITDA margin	**2**	*(176%)*	*(465%)*	*(101%)*
EBIT margin	**2**	*(205%)*	*(532%)*	*(276%)*
Net loss before tax margin		*(328%)*	*(533%)*	*(277%)*
Net loss after tax margin	**2**	*(373%)*	*(547%)*	*(258%)*

Source: NPCF analysis, Pearl's 30 June 2018, 2019 and 2020 audited financial statements

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

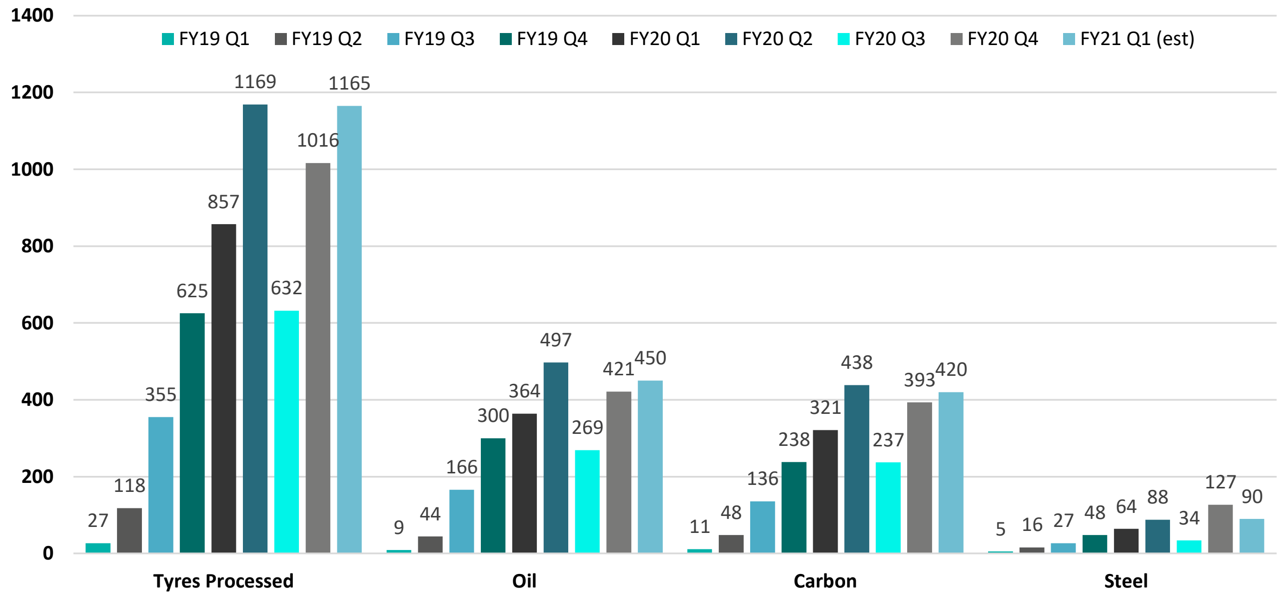
1. Revenue

   The Company materially increased total revenue between FY 2019 and FY 2020, from $861,858 to $3,596,366. However, this increase mainly related to:

o the additional revenue source of fees from the collection of end-of-life tyres following the acquisition of Australian Tyre Processors Pty Ltd ("ATP"), which contributed $1,455,428 in FY 2020; and
o a $800,000 grant secured by ATP from the Queensland Government.

Revenue from customers increased from $173,226 in FY 2019 to $1,923,525 in FY 2020. In addition to the fees from the collection of end-of-life tyres, the Company continued its pathway to full commercialisation by increasing the number of waste tyres processed (from 1,125 tonnes to 3,674 tonnes) and increasing sales of oil and steel derived from tyres in particular.

Quarterly Production (tonnes)



Source: Pearl's 30 October 2020 Quarterly Activities Report

2. The Company is still running at negative EBIT as well as negative EBITDA as it ramps up its production capacity and continues towards full commercialisation. As a result of increased activity at the Company's two existing operational TDUs and with the inclusion of the used tyre collection and processing operations of ATP, expenditure has increased from FY 2018 to FY 2020.

   The ramp up in production resulted in the negative EBITDA margin improving from (465)% in FY 2019 to (101)% in FY 2020. FY 2020 EBIT margin was also less negative ((276)% in FY 2020 versus (532)% in FY 2019), however the FY 2020 EBIT was impacted by a $5,092,766 impairment expense.

5.5.2. Consolidated Statement of Financial Position

Set out below is the summary of the audited Consolidated Statement of Financial Position of Pearl as at 30 June 2018, 2019 and 2020 (“FY 2018”, “FY 2019” and “FY 2020” respectively):

$	Notes	FY 2018 (Restated)	FY 2019 Audited	FY 2020 Audited
Current assets				
Cash and cash equivalents		2,727,435	5,410,200	1,886,946
Other financial assets		-	-	326,206
Trade and other receivables	**2**	981,555	592,745	1,166,551
Other current assets	**2**	85,000	97,680	189,976
		3,793,990	**6,100,625**	**3,569,679**
Non-current assets				
Trade and other receivables		-	142,862	-
Property, plant & equipment	**2**	2,425,316	2,074,740	3,492,003
Right-to-use asset	**3**	-	-	2,756,132
Development assets		1,205,570	2,095,642	-
Other intangible assets	**2**	1,100,000	893,750	-
Total assets		**8,524,876**	**11,307,619**	**9,817,814**
Current liabilities				
Trade and other payables	**2**	340,312	433,102	1,910,150
Provisions		8,771	140,615	266,933
Leases	**3**	-	-	680,128
		349,083	**573,717**	**2,857,211**
Non-current liabilities				
Borrowings	**2, 5**	-	-	35,379
Leases	**3**	-	-	2,184,850
Deferred tax liabilities	**4**	1,028,325	1,146,855	453,044
Total liabilities		**1,377,408**	**1,720,572**	**5,530,484**
Net assets		**7,147,468**	**9,587,047**	**4,287,330**
Equity				
Issued capital		12,156,494	19,303,854	23,276,183
Options reserve		4,607,713	4,609,986	4,628,022
Accumulated losses		(9,616,739)	(14,326,793)	(23,616,875)
Total equity		**7,147,468**	**9,587,047**	**4,287,330**

Source: Pearl’s 30 June 2018, 2019 and 2020 audited financial statements

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

1. Over the last 3 years the net working capital position of the Company moved from a surplus of $3,444,907 as at 30 June 2018 to a surplus of $5,526,908 as at 30 June 2019 and a surplus of $712,468 as at 30 June 2020. Fluctuations in GST and R&D tax benefit receivables contributed to changes during these periods. Also, the growth in the Company's operations, including the ATP acquisition (see note 2 below), contributed to the fall in FY 2020.

2. During FY 2020, on 15 August 2019, 100% of the ordinary shares of ATP were acquired and as part of the transaction, Pearl assumed 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 two further cash payments of $150,000 each upon milestones being met. The net fair value of the assets and liabilities assumed was $(183,737) resulting in goodwill on acquisition of ATP at $948,737. This amount was included in goodwill, but subsequently written off as an impairment loss. The $(183,737) net fair value of the assets and liabilities at acquisition, which was incorporated into the Consolidated Statement of Financial Position on the date of acquisition was made up as follows:

	$
Cash	22,131
Trade and other receivables	128,410
Fixed assets	610,441
Other assets	53,057
Trade and other payables	(162,984)
Borrowings	(834,792)
Net assets and liabilities assumed	**(183,737)**

3. 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 Consolidated Statement of Financial Position. Accordingly, as at 30 June 2020, a Right-to-use asset of $2,765,132 was capitalised as well as current lease liabilities of $680,128 and non-current lease liabilities of $2,184,850.

4. As at 30 June 2020, Pearl reported unrecognised tax losses of $8,167,924 (FY 2019: $5,083,596, FY 2018: $4,826,521).

5. 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 significant long term debt on their balance sheet for the last 3 financial year ends.

6. The Directors indicated that they are not aware of any other contingent liabilities or contingent assets of the Company.

5.5.3. Consolidated Statement of Cash Flows

Set out below is the summary of the audited Consolidated Statement of Cash Flows of Pearl for FY 2018, FY 2019 and FY 2020:

$	Notes	FY 2018 (Restated)	FY 2019 Audited	FY 2020 Audited
EBITDA		(2,232,578)	(4,003,507)	(3,632,213)
Less: Interest income (net of interest and finance costs)		(554)	(4,729)	(69,272)
Other non-cash flows in loss from ordinary activities		-	12,982	(6,773)
Movement in working capital:				
(Increase)/decrease in trade and other debtors	**1**	(1,004,004)	233,265	(315,898)
Increase/(decrease) in trade and other creditors		(233,119)	224,634	497,196
Operating cash flows		**(3,470,255)**	**(3,537,355)**	**(3,526,960)**
Purchase of property, plant and equipment	**2**	(1,861,026)	(26,461)	(1,513,433)
Proceeds from disposal of property, plant and equipment		-	-	36,006
Deposits and bonds		-	-	(26,362)
Payments for development asset		(196,628)	(890,073)	(1,360,400)
Payments for financial assets		-	-	(326,206)
Investment in subsidiary, net of cash acquired	**3**	-	-	(577,869)
Cash acquired for acquiring Pearl		213,185	-	-
Net cash flows before financing activities		**(1,844,469)**	**(916,534)**	**(3,768,264)**
Proceeds from issue of shares	**4**	6,750,000	7,135,500	3,902,876
Proceeds from issue/exercise of Options		4,527	-	-
Share/Options issue costs		(363,000)	(88,140)	(95,549)
Proceeds from issue of convertible notes	**4**	750,000	-	-
Proceeds from borrowings	**4**	263,000	256,937	-
Repayment of borrowings	**4**	(472,136)	(156,937)	-
Repayment of lease principal		-	-	(37,905)
Borrowing costs	**4**	(11,871)	(10,709)	-
Net cash flows after financing activities		**6,920,520**	**7,136,651**	**3,769,422**
Opening cash balance		1,121,639	2,727,438	5,410,200
Net cash flows		1,605,796	2,682,762	(3,525,802)
Net effects of fx on cash and cash equivalents		-	-	2,548
Closing cash balance		**2,727,435**	**5,410,200**	**1,886,946**

Source: Pearl's 30 June 2018, 2019 and 2020 audited financial statements

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

1. Movements in working capital are discussed in the notes for the Consolidated Statement of Financial Position.

2. The FY 2018 payment for purchase of property, plant and equipment was primarily due to the Group's commitment to purchase a TDU unit from Keshi for $1.25 million. The FY 2020 payments included upgrades to Pearl's first and second TDUs (totalling $150,680), and the purchase of a tyre shredder (totalling $1.37 million).

3. During FY 2020 (according to Note 3 of the reviewed financial statements), 100% of the ordinary shares of ATP were 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 $577,869.

4. During FY 2018, FY 2019 and FY 2020, the Company completed capital raising activities and obtained equity investments from strategic partners to raise $17.8 million over the 3 years. Convertible notes were also issued in FY 2018 to raise a further $750,000. Net proceeds from borrowings of approximately $520,000 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.

5.6. Capital Structure and Ownership

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

Pearl's Issued Capital at	30 Jun 2020[1]	16 Nov 2020[2]	Post Proposed Transaction[3]
Fully paid ordinary shares	251,192,350	355,332,531	371,999,198
Listed options	45,319,238	45,319,238	45,319,238
Unlisted options	2,000,000	4,974,000	4,974,000

Notes:

1. Pearl's issued capital as at 30 June 2020, being the latest financial year end.
2. Pearl's issued capital as at 16 November 2020 reflects Pearl's issued capital after the October Issue and the Tranche 1 November Placement Shares.
3. This reflects what Pearl's issued capital will be on the basis Resolution 3 is approved and after the issue of Tranche 2 November Placement Shares.

5.6.1. Fully Paid Ordinary Shares

The top 10 shareholders of Pearl as at 16 November 2020 (pre the Proposed Transaction) are set out below:

Shareholder	**Notes**	**16 November 2020 (pre Proposed Transaction)**	
		Shareholding	**% Total**
Perpetual Corporate Trust Ltd <First State Super Scheme>	1	52,466,066	14.77%
Bretnall Custodians Pty Ltd <Foster Family A/C>		19,690,845	5.54%
Perpetual Corporate Trust Ltd <ROC ESPET>	1	14,121,841	3.97%
Mr Andrew Drennan <Drennan Family A/C>		13,871,183	3.90%
Fifty Second Celebration Pty Ltd <McBain Family A/C>		10,000,000	2.81%
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>		8,937,500	2.52%
Invia Custodian Pty Limited <Capricorn Society Limited>		8,858,696	2.49%
Kedo (Aust) Pty Ltd		7,965,554	2.24%
Rubi Holdings Pty Ltd <John Rubino S/F A/C>		7,750,000	2.18%
Fordholm Consultants Pty Ltd <Diana Boehme Super Fund A/C>		6,568,594	1.85%
Top ten shareholders		**150,230,279**	**42.28%**
ROC Management Services Pty Limited	1	314,961	0.09%
Other		204,787,291	57.63%
Total shareholders		**355,332,531**	**100.00%**

Source: Pearl's share registry as at 16 November 2020

Notes:

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

   Prior to the October Issue and the Tranche 1 November Placement Shares, ROC's shareholding was approximately 22.45%. As a result of the October Issue and the Tranche 1 November Placement Shares, pre the Proposed Transaction, ROC's shareholding was diluted to 18.83%, as shown in the table below:

Shareholder	**Pre October Issue and the Tranche 1 November Placement Shares**		**Subsequent Share Issues**		**Pre Proposed Transaction**	
	Share Number	**%**	**Share Number**	**%**	**Share Number**	**%**
Total combined ROC shareholdings	66,902,868	22.45%	-	0.00%	66,902,868	18.83%
Other shareholdings	231,159,821	77.55%	-	0.00%	231,159,821	65.05%
Other shareholdings - October Issue	-	0.00%	1,714,286	2.99%	1,714,286	0.48%
Other shareholdings - Tranche 1 November Placement Shares	-	0.00%	55,555,556	97.01%	55,555,556	15.63%
Total shareholdings	**298,062,689**	**100.00%**	**57,269,842**	**100.00%**	**355,332,531**	**100.00%**

After the issue of Tranche 2 November Placement Shares (as outlined in section 1.1 and subject to shareholder approval), ROC's shareholdings will increase back to 22.46%, as shown in the table below:

Shareholder	Pre Proposed Transaction Share Number	%	Proposed Transaction Share Number	%	Post Proposed Transaction Share Number	%
Total combined ROC shareholdings	66,902,868	18.83%	16,666,667	100.00%	83,569,535	22.46%
Other shareholdings	288,429,663	81.17%	-	0.00%	288,429,663	77.54%
Total shareholdings	**355,332,531**	**100.00%**	**16,666,667**	**100.00%**	**371,999,198**	**100.00%**

5.6.2. Shareholders by size of shareholding

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

Range	No. of holders	Shares	% Total
1 – 1,000	1,103	120,434	0.03%
1,001 – 5,000	170	484,050	0.14%
5,001 – 10,000	155	1,225,764	0.34%
10,001 – 100,000	425	17,970,628	5.06%
100,001 and over	310	335,531,655	94.43%
Total	**2,163**	**355,332,531**	**100.00%**

Source: Pearl's share registry as at 16 November 2020

5.6.3. Options

5.6.3.1. Listed Options

The top 10 listed option holders as at 16 November 2020 held 66.32% 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%
Mr Frank Joseph Nigro	1,982,208	4.37%
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%
Invia Custodian Pty Limited <Capricorn Society Limited>	1,250,000	2.76%
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 10 Listed Option Holders	**30,057,208**	**66.32%**
Other	15,262,030	33.68%
Total Listed Option Holders	**45,319,238**	**100.00%**

Source: Pearl's listed option registry as at 16 November 2020

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

ROC does not, at the time of this Report, hold any listed options in Pearl.

5.6.3.2. Unlisted Options

2,000,000 unlisted options in Pearl are held by Greenlink Pty Ltd and MC & LC Barrett Family Pty Ltd. These unlisted options are exercisable at $0.191 each and expire on 13 June 2022.

2,974,000 unlisted options in Pearl are held by Dean Hely, Joseph Abberton and Shane Pentony <Lavan Partnership A/C>. These unlisted options are exercisable at $0.15 each and expire on 6 August 2022.

5.6.3.3. Consideration of Options in Pearl in Report

Given that Pearl Shares traded at $0.105 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

The following chart provides a summary of the trading volumes and prices for Pearl Shares from 2 November 2019 to 2 November 2020, the day before the announcement of the $6.5 million capital raising:

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 $0.060 and $0.140 over the 12 months to 2 November 2020 with a closing price of $0.094 on 2 November 2020.

The volume of Pearl Shares that have been traded over the period has been moderate with more than 30 million Shares traded in the last 180 days and more than 48 million Shares traded in the last year. Prices (including Volume Weighted Average Prices, or "VWAPs") and volumes for the last year to 2 November 2020 are summarised in the table below:

Period to 2 November 2020	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Trading as a % of current issued capital
1 day	$0.094	$0.094	-	$0.000	0.00%
7 days	$0.094	$0.100	2,696,714	$0.098	0.90%
30 days	$0.091	$0.110	10,761,228	$0.105	3.60%
60 days	$0.060	$0.110	17,981,755	$0.097	6.02%
90 days	$0.060	$0.110	21,714,474	$0.092	7.29%
180 days	$0.060	$0.110	31,571,194	$0.087	11.74%
366 days	$0.060	$0.140	48,208,302	$0.096	20.30%

Source: ASX, Yahoo! Finance and Nexia analysis

The analysis above shows that Pearl's shares had a moderate level of liquidity during the year to 2 November 2020, with 7.29% (or 29% annualised) of Pearl's capital being traded in the last 90 days, 11.74% (or 23% annualised) in the last 180 days and 22.30% in the last year.

5.8. Issue Prices in Recent Share Placements

As outlined in section 1.1, the November Placement is to raise capital by issuing shares at $0.09 per Share. ROC will not be receiving favourable treatment in the proposed issue of shares under the Proposed Transaction, as ROC will be paying $0.09 per Share, which is the same price that has been as paid by external parties for the issue of Tranche 1 November Placement Shares. Also, there are no further conditions attached to the proposed issue of shares to ROC under the Proposed Transaction.

In addition to the share placement 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
Share Placement History – Non-ROC				
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
6 August 2020	4	30,837,549	$0.070	$2,158,628
9 November 2020	5	55,555,556	$0.090	$5,000,000
Share Placement History – ROC				
12 June 2019	2	39,370,078	$0.127	$5,000,000
31 March 2020	3	11,500,000	$0.085	$977,500
6 August 2020	4	16,032,790	$0.070	$1,122,295

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. An additional $202,500 was raised from the share purchase plan as well as a $5 million placement to ROC based on 39,370,078 Shares at $0.127 per Share.
3. Funds raised from the March placement were for capital expenditure at the Stapylton site as well as working capital. The issue price under this placement was just below the closing price of $0.088 on the ASX on 10 March 2020.
4. Funds raised from the June placement were for the expansion of Pearl's current facility at Stapylton. The issue price under this placement was just below the closing price of $0.074 on the ASX on 3 June 2020.
5. This placement is part of the November Placement as outlined in section 1.1. The issue price under this placement was just below the closing price of $0.094 on the ASX on 2 November 2020, the day before the capital raising announcement.

6. INDUSTRY ANALYSIS AND ECONOMIC OUTLOOK

6.1. Overview

Operators in the Waste Remediation and Materials Recovery Services industry have experienced volatile conditions 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. The COVID-19 outbreak and subsequent slowdown in construction activity is also anticipated to significantly impact industry performance over the two years through 2020-21, with industry revenue projected to fall 5.1% in the current year. Overall, industry revenue is expected to grow at an annualised 1.1% over the five years through 2020-21, to total $4.6 billion.

Population growth has generated greater volumes of household waste for recovery over the past five years. Strong construction activity on the east coast also increased masonry, metal and glass waste volumes, supporting demand for industry services over the first half of the past five-year period. Rising demand for diverted waste management services has increased industry participation 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 prices for such services, boosting industry revenue. However, intensifying competition has placed downward pressure on other industry prices over the past five years. Overall, industry profit margins have declined over the period.

The manufacturing sector is projected to recover over the next five years, driving industry growth. Industry revenue is forecast to grow at an annualised 2.1% over the five years through 2025-26, to $5.1 billion. Population growth, increased consumption of packaged foods and recovering construction activity are anticipated to drive waste volume growth over the period. Heightened public concern about the environment, state government recovery targets and rising landfill levies are set 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.

Overall risk, based on the IBISWorld Risk Rating, in the Waste Remediation and Materials Recovery Services industry is forecast to be LOW over 2021-22. This takes into consideration Structural, Growth and Sensitivity risks, as summarised below:

- Structural risk will be LOW over the outlook period. A modest concern is the medium level of competition which exacerbates risk by pressuring prices and profits downward. Operators are exposed to moderate revenue volatility requiring prudent cash flow management and planning in times of uncertain demand. Businesses failing to account for these challenges risk sudden losses or diminished margins. This industry is currently in the mature phase of its life cycle which exhibits limited growth in demand opportunities and forces operators to compete for the remaining sales in order to survive. Though public sector assistance is low for this industry, this level is increasing, which improves the viability of operators by stabilising revenue and supporting profitability.
- Growth risk is expected to be MEDIUM-HIGH over the outlook period. IBISWorld forecasts that annual industry revenue will grow 3.0% to $4.7 billion. In comparison, revenue shrank 6.2% per year between 2018-19 and 2020-21.
- Sensitivity risk is forecast to be LOW over the outlook period, down from MEDIUM in 2020-21. The two factors with the most significant impacts on the industry are demand from manufacturing and base metals price index. A rise in either of these factors will lower industry risk.

- Demand from manufacturing: The Manufacturing division produces large amounts of waste that the industry can remediate and process. Industry operators can remove hazardous materials, such as waste from chemical, paint and fertiliser manufacturers, and plastic and metal scrap remnants from consumer product manufacturers. Demand from manufacturing is anticipated to decline in 2020-21. This factor's contribution to risk is expected to decrease in the coming year.
- Base metals price index: Industry operators recover metals that are often reprocessed and sold as scrap. The base metals price index tracks the world price of a range of metals that the industry recovers. Rising world metal prices benefit the industry by increasing prices for scrap metal. The base metals price index is expected to increase slightly in 2020-21, as prices begin to recover following the outbreak of COVID-19 in the previous year. This factor's contribution to risk is expected to increase in the coming year.
- Demand from construction: Construction activity produces large volumes of waste materials, such as masonry, glass and metal waste. A large percentage of this waste can be recovered and recycled. Waste recovery and remediation companies provide separating and sorting services for these types of waste products. Reduced construction activity typically decreases demand for waste management services from construction firms, threatening industry revenue. Demand from construction is expected to fall in 2020-21, with the COVID-19 outbreak weighing on construction activity over the year. This factor's contribution to risk is expected to decrease in the coming year.
- Population: Consumption increases alongside population growth, both directly and indirectly through greater activity in sectors that provide products and services used by consumers. Population growth is a positive trend for the industry, as it increases waste volumes and demand for waste management, recycling and remediation services. Australia's population is expected to continue increasing in 2020-21, presenting an opportunity for the industry to expand. This factor's contribution to risk is expected to decrease in the coming year.

Sources: Waste Remediation and Materials Recovery Services in Australia*, Industry Report by IBISWorld, published July 2020. Accessed at www.ibisworld.com.au on 30 November 2020*

6.2. Economic Outlook

Following the largest contraction in decades, the global economy is in the early stages of recovery, as is Australia. However, the level of GDP in a number of major economies is expected to remain below pre-pandemic forecasts for the next couple of years, and a high degree of uncertainty continues to surround the outlook. The main source of uncertainty relates to the evolution of the pandemic, and the policy and behavioural responses to it.

The initial phase of the recovery in the global economy was enabled by improving health outcomes, which in turn allowed containment measures to be eased. Substantial policy stimulus also contributed. Even still, the global recovery remains fragile and uneven, with differences in health outcomes and relative positions in global supply chains largely accounting for the wide variation in economic outcomes. Economic activity in Australia's major trading partners is forecast to contract by 3 per cent in 2020 (in year-average terms) and then grow by 6 per cent in 2021 and 4 per cent in 2022. These forecasts are broadly similar to those presented in the August Statement on Monetary Policy; however, a recent resurgence in COVID-19 infections in a number of key economies has increased near-term risks to this outlook. Underlying inflationary pressures are likely to remain subdued globally for some time given considerable spare capacity.

In Australia, the recovery in activity has been underway for several months after the economy experienced the deepest peacetime contraction since the Great Depression in the first half of the year. The domestic recovery is set to be supported by the further easing in activity restrictions and substantial monetary and fiscal policy stimulus. The baseline scenario for GDP growth has been upgraded a little relative to the August Statement. This reflects stronger-than-expected household consumption and additional policy support (including that announced in the Australian Government Budget), though a downward revision to resource exports has partly offset the firmer outlook for domestic demand. Even after the GDP forecast upgrade, the severity of the downturn in the first half of the year means that GDP is not expected to return to its pre-pandemic level until the end of 2021.

Conditions in the labour market have improved a bit faster than expected at the time of the August Statement, but remain soft overall. Employment remains well below its pre-pandemic level and measures of labour market underutilisation are high. Growth in employment is expected to be subdued over the next few months, as policy support measures, such as JobKeeper, are tapered. The unemployment rate is anticipated to peak at a little below 8 per cent, above current levels but lower than the 10 per cent peak that was previously expected. The unemployment rate is then expected to gradually decline, with employment expected to grow steadily and more people expected to be drawn back into the labour market; the unemployment rate is expected to remain above pre-pandemic levels at the end of the forecast period. Substantial spare capacity, including high underemployment, is likely to keep wages growth and inflation low for a considerable period.

Given the high degree of uncertainty about the outlook, two scenarios are considered in addition to the baseline. These represent two out of a range of plausible outcomes around the baseline projections (upside and downside), and are largely based on different assumptions about health outcomes and activity restrictions. In summary:

- The baseline scenario assumes that no additional large outbreaks and accompanying strict containment measures occur within Australia and that restrictions continue to be gradually lifted nationally (or are only tightened modestly for a limited time). Some restrictions on international departures and arrivals are assumed to be in place until around the end of 2021. Under this scenario, GDP is expected to contract by around 4 per cent over the year to December 2020, but then grow by 5 per cent over 2021 and 4 per cent over 2022. The unemployment rate peaks at a little below 8 per cent in coming months, before gradually declining in 2021 and 2022 to just above 6 per cent at the end of the forecast period. Inflation is expected to pick up a little alongside a modest reduction in spare capacity, to be around 1½ per cent by the end of 2022;
- A plausible downside scenario is that Australia experiences further major outbreaks and there is a loss of control of the virus in other economies. In this scenario a substantial share of the population faces renewed distancing restrictions and curbs on business activities, and the opening of international borders is delayed further. The reimposition of restrictions domestically is assumed to weigh heavily on confidence and significantly slow the recovery in consumption and business investment, with the unemployment rate peaking at around 9 per cent in late 2021 and declining only a little in 2022; and
- A stronger economic recovery than envisaged in the baseline scenario is also possible, especially if additional progress in the medical treatment and control of the virus is achieved in the near term, resulting in a faster withdrawal of containment measures. A sustained improvement in health outcomes domestically and abroad would boost confidence and support private consumption, investment and services exports. In this scenario, the unemployment rate peaks at 7.5% before declining to 5.5% by the end of 2021.

Source: The "Statement of Monetary Policy" sets out RBA's assessment of current economic conditions, both domestic and international, along with the outlook for Australian inflation and output growth.

7. VALUATION METHODOLOGIES

7.1. Definition of Market Value

In forming our opinion as to whether or not the Proposed Transaction 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 a moderate level of liquidity and have been listed on the ASX for more than a 12 month period up to the announcement of the November Placement, which includes the Proposed Transaction, meaning there is a regulated and observable market where Pearl's Shares can be traded; and
- the recent Tranche 1 November Placement was issued on 9 November 2020 to external parties and at the same terms as the Proposed Transaction.

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 VWAP data for the two periods of 30 days and 180 days until 2 November 2020; and
- the price of the shares issued under the Tranche 1 November Placement, which included the issue of Shares to external parties at the same price and terms as the Proposed Transaction.

8. FAIR VALUE OF PEARL SHARES UNDER THE PROPOSED TRANSACTION

8.1. Fair Value of Pearl Shares on a Control Basis pre the Proposed Transaction

As discussed in section 4, in evaluating the Proposed Transaction we are considering the fair value of Pearl Shares on a control basis in accordance with RG 111.

8.1.1. 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 the Proposed Transaction 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, Pearl's Shares had a VWAP of between $0.087 and $0.105 in the 180 days to 2 November 2020, the day before the announcement of the $6.5 million capital raising.

As described in section 5.8, the most recent share placement for Pearl was the Tranche 1 November Placement, where Tranche 1 November Placement Shares were issued at $0.09 per Share to non-related parties. The Tranche 2 November Placement Shares to be issued to ROC under the Proposed Transaction will also be issued at $0.09 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 the Proposed Transaction, to be as follows:

	Notes	Low	Mid	High
Recent offer / quoted market prices	**1, 2, 3**	$0.087	$0.096	$0.105
Control premium (25% to 30%)	**4**	$0.022	$0.026	$0.031
Fair value of a Pearl Share on a control basis, pre the Proposed Transaction		**$0.109**	**$0.122**	**$0.136**

Notes:

1. The low end of the recent offer / quoted market price range is based on the VWAP for the 180 days to 2 November 2020, the day before the announcement of the $6.5 million capital raising.
2. The high end of the recent offer / quoted market price range is based on the VWAP for the 30 days to 2 November 2020, the day before the announcement of the $6.5 million capital raising.
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.

8.1.2. Conclusion on Fair Value of Pearl Shares on a Control Basis pre the Proposed Transaction

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

	Low	Mid	High
Fair value of a Pearl Share on a control basis, pre the Proposed Transaction	$0.109	$0.122	$0.136

8.2. Fair Value of Pearl Shares on a Minority Basis Post the Proposed Transaction

As discussed in section 4, in evaluating the Proposed Transaction we are considering the fair value of Pearl Shares on a minority basis after the Proposed Transaction in accordance with RG 111.

The fair value of Pearl Shares on a minority basis, post the Proposed Transaction, was calculated as follows:

	Notes	Low	Mid	High
Fair value of a Share on a control basis (section 8.1.2)		$0.109	$0.122	$0.136
Number of Shares on issue pre the Proposed Transaction	1	355,332,531	355,332,531	355,332,531
Total value of Pearl on a control basis pre the Proposed Transaction		$38,806,690	$43,377,830	$48,304,303
Funds to be received from Tranche 2 November Placement	2	$1,500,000	$1,500,000	$1,500,000
Total fair value of Pearl on a control basis, post the Proposed Transaction		$40,306,690	$44,877,830	$49,804,303
Less: adjustment for control premium	3	($9,301,544)	($9,679,532)	($9,960,861)
Total fair value of Pearl on a minority basis, post the Proposed Transaction		**$31,005,146**	**$35,198,298**	**$39,843,442**
Number of Shares				
Number of Shares on issue pre the Proposed Transaction	1	355,332,531	355,332,531	355,332,531
Shares to be issued under Tranche 2 November Placement	2	16,666,667	16,666,667	16,666,667
Total Shares on issue post the Proposed Transaction		**371,999,198**	**371,999,198**	**371,999,198**
Fair value per Pearl Share on a minority basis, post the Proposed Transaction		**$0.083**	**$0.095**	**$0.107**

Notes:

1. This is based on the number of fully paid ordinary shares on issue according to Pearl's share registry as at 16 November 2020 (see section 5.6.1).
2. The funds to be received under the Proposed Transaction are included in the funds to be received from the issue of Tranche 2 November Placement Shares (i.e. 16,666,667 Shares at $0.09 per Share, as outlined in section 1.1).
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 RG 111.

8.2.1. Conclusion on Fair Value of Pearl Shares on a Minority Basis post the Proposed Transaction

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

	Low	Mid	High
Fair value of a Pearl Share on a minority basis, post the Proposed Transaction	$0.083	$0.095	$0.107

9. ASSESSMENT OF FAIRNESS OF THE PROPOSED TRANSACTION

As discussed in section 4, in determining whether or not the Proposed Transaction is fair to the non-associated shareholders of Pearl, we have compared the fair value of a Pearl Share on a control basis before the Proposed Transaction, to the fair value of a Pearl Share on a minority basis after the Proposed Transaction.

This is summarised below:

Proposed Transaction	Low	Mid	High
Fair value of a Pearl Share on a control basis, pre the Proposed Transaction (section 8.1.2)	$0.109	$0.122	$0.136
Fair value of a Pearl Share on a minority basis, post the Proposed Transaction (section 8.2.1)	$0.083	$0.095	$0.107

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 the Proposed Transaction. Therefore, **we have concluded that the Proposed Transaction is not fair.**

10. ASSESSMENT OF REASONABLENESS OF THE PROPOSED TRANSACTION

10.1. Approach to Assessing Reasonableness

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

10.2. Advantages of the Proposed Transaction

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

Advantages	Explanation
Access to funds to support the expansion of Pearl's current facility including an additional TDU as well as equipment and tooling to increase volumes and reduce costs	As outlined in section 1.1, the funds raised from the November Placement (including from the Proposed Transaction) will be used for construction of an additional TDU, additional shredding and rubber crumbing equipment to increase production volume and revenues, and the establishment and tooling for in-house maintenance to reduce ongoing costs.
Access to funds for costs required for the ongoing expansion of production and working capital	As outlined in section 1.1, the funds raised from the November Placement (including from the Proposed Transaction) will also be used for associated costs required for the ongoing expansion of production, the cost of the November Placement and general working capital.
No material net change to ROC's voting power compared to prior to the October Issue and announcement of the November Placement	Prior to the October Issue and announcement of the November Placement, ROC already held a substantial interest in the Company, being 22.45% of Pearl's Shares (as shown in section 5.6.1). Subject to shareholder approval of the Proposed Transaction and the completion of the remainder of the November Placement, the Proposed Transaction will result in ROC holding a 22.46% shareholding which is very close to level prior to the October Issue and the announcement of the November Placement.

Advantages	Explanation
	As such, there will be no material change to ROC's voting power as a result of the Proposed Transaction (subject to shareholder approval) and the completion of the November Placement.
ROC's demonstration of ongoing support	ROC is Pearl's cornerstone investor and has made a substantial investment into the Company. As indicated above, ROC's investment under the Proposed Transaction will maintain its shareholding very close to the level prior to the October Issue and the announcement of the November Placement. This is consistent with ROC's demonstrated prior commitment to the Company in respect of its previous placements in 2019, March 2020 and August 2020.
ROC has no current intentions to make any significant changes to Pearl	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 the Proposed Transaction, that ROC: ▪ 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.
ROC will not be receiving selective treatment under the Proposed Transaction	Both the issue of Tranche 1 November Placement Shares and the issue of Tranche 2 November Placement Shares (which includes the Shares to be issued to ROC under the Proposed Transaction) have the same terms. The consideration to be received for each Share by Pearl under Tranche 2 November Placement Shares (which includes the Shares to be issued to ROC under the Proposed Transaction) will be the same as the consideration received from the Tranche 1 November Placement Shares, both being at $0.09 per Share. As such, ROC will not be receiving any preferential treatment under the Proposed Transaction.

10.3. Disadvantages of the Proposed Transaction

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

Disadvantages	Explanation
Increased risk of restriction on ordinary and special resolutions as a result of ROC's increased shareholding	Subject to shareholder approval of the Proposed Transaction and the completion of the remainder of the November Placement, ROC's shareholding in Pearl will be 22.46%. With a shareholding approaching 25% ROC's voting power would restrict the remaining shareholders' ability to make decisions requiring ordinary and special resolutions without the approval of ROC. 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. It is, however, noted that prior to the October Issue and announcement of the November Placement, ROC already held a substantial interest in the Company, being 22.45% of Pearl's Shares and that the Proposed Transaction will result in ROC broadly maintaining this interest at 22.46%.
Dilution of existing shareholders' interest	The Shares to be issued to ROC under the Proposed Transaction are 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. However, as noted in the previous disadvantage, ROC already held a substantial interest in the Company, holding 22.45% of Pearl's Shares prior to the October Issue and announcement of the November Placement.

10.4. Alternatives to the Proposed Transaction

The Directors have advised us that, if the Proposed Transaction does not proceed, the Company will have sufficient cash to finance the fourth TDU. However, alternative funding would have to be secured to finance any further TDUs beyond the construction of a fourth TDU. Note that, given the potential for further COVID-19 uncertainty, there is a risk that finding alternative sources of funding in the future might be challenging.

10.5. Implications of the Proposed Transaction Not Proceeding

If the Proposed Transaction does not proceed, this will slow the Company's plans to construct further TDUs and to increase its production capacity, as the Company will need to seek alternative funding. Without the opportunity to increase the production capacity, the Company would not be able to optimise delivery or revenue from the carbon char and fuels offtake agreement, and may limit opportunities to target new sales channels.

10.6. Conclusion as to Reasonableness of the Proposed Transaction

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 the Proposed Transaction (as set out in sections 10.2 and 10.3), the alternatives to and the implications of the Proposed Transaction not proceeding (as described in sections 10.4 and 10.5), and in the absence of higher offers for Pearl Shares under the November Placement, we have concluded that there are sufficient reasons for the shareholders of Pearl to vote in favour of the Proposed Transaction.

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

11. OPINION

Taking into consideration the matters above (as set out in sections 9 and 10), we have concluded that the **Proposed Transaction is not fair, but reasonable to the non-associated shareholders of Pearl.**

The ultimate decision on whether to approve the Proposed Transaction 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 Proposed Transaction.

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 year ended 30 June 2020.
CAANZ	Chartered Accountants Australia and New Zealand
Client, Company , Group, Pearl or PG1	Pearl Global Limited (ACN: 118 710 508)
Corporations Act	*Corporations Act 2001* (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
ESG	Environmental, Social, and Governance
FSG	Financial Services Guide
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.
Group	Pearl and its subsidiaries.
GST	Goods and Services Tax
IP	Intellectual Property
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
Keshi Call Option	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: ▪ 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.

Term	Definition
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 Transaction, 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.
November Placement	The Company's capital raising as announced on 3 November 2020. The November Placement will be made in two tranches, the issue of Tranche 1 November Placement Shares and Tranche 2 November Placement Shares.
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	The proposed issue of 16,666,667 Shares to ROC under Tranche 2 November Placement Shares, subject to shareholder approval.
PY	Prior year
Q4 FY 2020	The quarter ended 30 June 2020.
Q1 FY 2021	The quarter ended 30 September 2020.
Q2 FY 2021	The quarter ended 31 December 2020.
R&D	Research and Development
Report	Independent Expert's Report
ROC	Roc Asset Management Pty Ltd and its associate entities or nominees.
RG 74	ASIC *Regulatory Guide 74: Acquisitions approved by members*
RG 76	ASIC *Regulatory Guide 76: Related party transactions*
RG 111	ASIC *Regulatory Guide 111: Content of expert reports*
RG 112	ASIC *Regulatory Guide 112: Independence of experts*
Share(s)	Fully paid ordinary share(s) in Pearl.
TDU(s)	Thermal Desorption Unit(s).
TDU3	Pearl's third TDU.
Tranche 1 November Placement Shares	55,555,556 Shares which were issued on 9 November 2020 at $0.09 per Share to raise $5 million.
Tranche 2 November Placement Shares	16,666,667 Shares to be issued to ROC at $0.09 per Share to raise $1.5 million and the subject of the shareholder approval being sought under the Proposed Transaction.
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, 2019 and 2020
- Appendix 4C, quarterly report for Pearl Global Limited as announced on the ASX on 30 October 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
- Pearl's share and option registries as at 16 November 2020
- *Waste Remediation and Materials Recovery Services in Australia*, Industry Report by IBISWorld (published July 2020)
- *Statement of Monetary Policy November 2020 (Section 6. Economic Outlook)* by Reserve Bank of Australia, published on 5 November May 2020
- ROC Partner's website
- https://www.tyrestewardship.org.au/wp-content/uploads/2020/04/TSA0013-Strategic-Plan-v7.pdf

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.

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Online:
www.investorcentre.com/contact

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00 AM (AEST) on Wednesday, 27 January 2021.**

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.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate “Appointment of Corporate Representative”. 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: 184927

SRN/HIN:

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.

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.

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, QLD 4215 on Friday, 29 January 2021 at 10:00 AM (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 Tranche 1 Placement Shares (November placement) issued under LR 7.1	☐	☐	☐
2	Ratification of prior issue of Tranche 1 Placement Shares (November placement) issued under LR 7.1A	☐	☐	☐
3	Approval for the issue of Tranche 2 Placement Shares (November Placement) to ROC Asset Management	☐	☐	☐

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	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

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

Mobile Number	Email Address