

ASX ANNOUNCEMENT
29 JANUARY 2021

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

HIGHLIGHTS:

- \$5 million tranche 1 share placement completed to fund expansion of Stapylton facility. \$1.5 million tranche 2 with shareholder approval
- Pearl successfully completed trials with both Aussee and Stanley Roads, establishing their Plants to run exclusively on Pearl-derived fuel (instead of diesel); Aussee currently producing asphalt with Pearl's fuel and recovered Carbon Black (rCB). Ramp up to commercial volumes is now expected during the coming quarter.
- Aussee wins Moreton Bay Council road project using "Zeroad" – an innovative asphalt manufacturing process utilising Pearl's fuel and rCB products
- Federal budget and CSIRO waste-reducing measures set to spur demand for Pearl's products and services, favouring environmentally friendly asphalt suppliers
- Following a record high previous quarter of tyre collection, current quarter collections were decreased due to stockpile management and planned Christmas downtime. Cash receipts were correspondingly decreased in the current quarter, along with lower manufacturing and operating costs.
- Well-capitalised to drive scalable growth with \$6.43 million cash at 31 December 2020, along with \$1.75 million in debt raised and a further \$1.5 million in cash to be received from ROC in February 2021

Pearl Global Limited (**ASX: PG1, Pearl or the Company**) is pleased to provide a review of operations and Appendix 4C to shareholders for the quarter ended 31 December 2020.

Used tyre processing and production for December quarter

The Company cleanly converted 1,158 tonnes of waste tyres during the period, the equivalent of approximately 140,000 passenger car tyres, in line with the previous quarter's processing, despite planned maintenance downtime over the Christmas period.

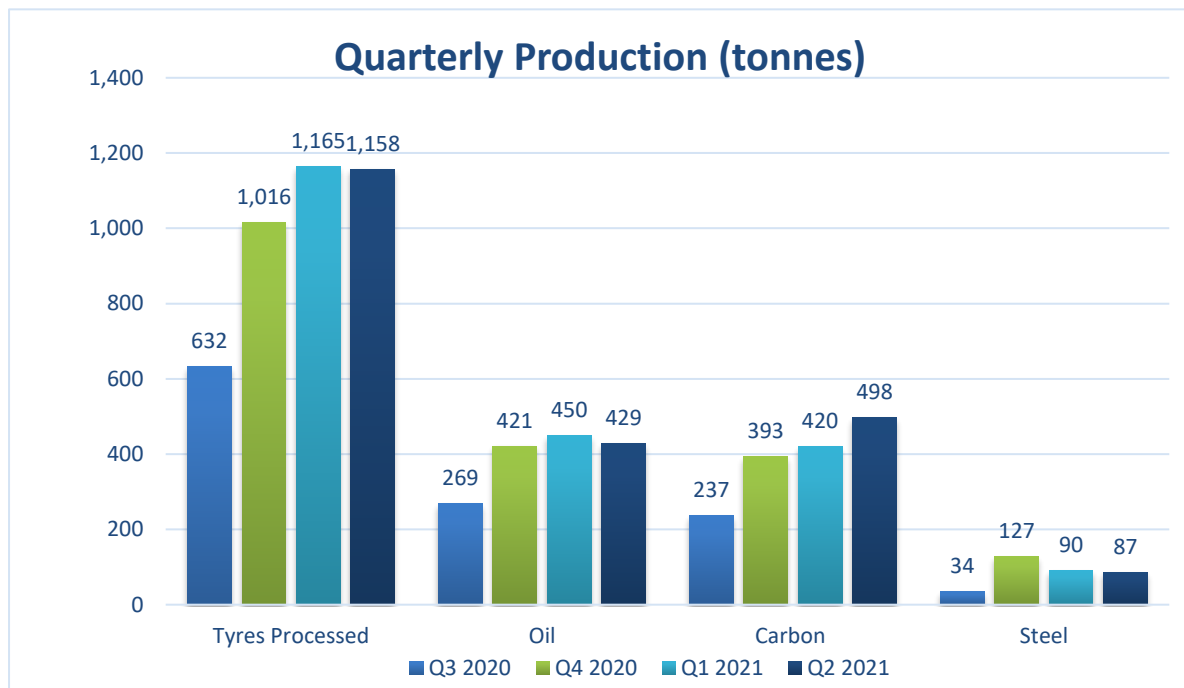


Chart 1: Processing and production outputs (Source: Company)

Customer receipts of \$264k with strong demand backlog

During the quarter, Pearl had cash receipts from customers of approximately \$264,000, with the decrease from a record Q1 FY21 of \$1.649 million. The Company also had lower manufacturing and operating costs of approximately \$500,000. Lower Customer receipts were driven primarily by two factors:

- the delay of cash receipts from customers until the next quarter (debtors estimated at \$325,000) and
- regulatory constraints on the volume of tyres that Pearl is currently licensed to store on site and therefore collect. The Company is currently preparing its submission for a revision to its tyre storage permit to allow Pearl to work more quickly through its backlog of demand.

As Pearl continues to experience strong demand for both its tyre collection and processing services as well as its tyre-derived commercial fuels, recovered carbon black (rCB) and steel, the Company holds a positive view of its market opportunity through this short-term regulatory bottleneck. The quarter's cash receipts reinforce the importance of increasing Pearl's processing capability, which the Company is addressing by building a fourth Thermal Desorption Unit (TDU) and a crumbing plant.

Equity and debt capital raising

In November, the Company announced it had received commitments to raise \$6.5 million through a two tranche issue of shares at 9 cents per share (Placement). Approximately 55.56 million fully paid ordinary shares at 9 cents per share were issued on 9 November 2020 to institutional, sophisticated, and professional investor clients of Bell Potter Securities, Lead Manager to the issue, with 42 million shares issued pursuant to ASX listing rule 7.1 and the remaining 13,555,556 shares under listing rule 7.1A.

ROC Asset Management (ROC) intends to maintain its percentage interest in Pearl Global and has subscribed for 16,666,667 shares to raise a maximum of \$1.5 million, which will form the second tranche of the Placement. This second tranche was subject to shareholder approval and was approved at a Extraordinary General Meeting of Pearl shareholders held on 29 January 2021.

Pearl will use the Placement funds to expand the Company's facility at Stapylton, Queensland. Expenditure will target construction of an additional 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 associated costs required for the ongoing expansion of production, costs of the issue and working capital.

Successful Aussee trials lead to first Zeroad customer contracts

Pearl has made significant progress in its development plans with Aussee Road Services Pty Ltd (Aussee). Following successful trials of Pearl's fuels, Aussee's asphalt plant has been upgraded and is now running on Pearl's waste tyre-derived fuels and recovered carbon black.

Pearl is pleased with the progress of its relationship with Aussee, and the parties are now focusing efforts on commercialising Zeroad™. Zeroad is an exciting innovation in the asphalt industry which will see Queenslanders' waste tyres put back into Queensland roads through Pearl Global's tyre-derived liquid fuel and carbon char.

The Company is pleased to advise that following successful trials based on Norwell Race Track being laid with Zeroad, Moreton Bay council recently laid the Zeroad product in its Shire.

Mr Peter Ozoux, Director of Aussee said that, *"the feedback we have received from the application of the Aussee Zeroad Asphalt in the Moreton Bay Council has been remarkable. 22,150 tyres were recycled through Pearl for this project.*

The combination of adding greater strength, stability and the aesthetics of a much richer back coating combined with the significant environmental benefits over traditional asphalt has allowed the Zeroad product to continue to make inroads to being a disruptive product in the sector."



Zeroad Asphalt being laid at King Street, Moreton Bay January 2021 (Source: Aussee Asphalt Pty Ltd)

Aussee and Pearl are jointly working on market communications and product demonstrations with interested local bodies to show their product development. This work is paving the way for market growth opportunities for both Pearl and Aussee.

Stanley Roads progress

During the quarter, Pearl also held trials with a second asphalt manufacturing group, Stanley Roads, which is close to completion. This expansion followed the Company's strategy to strengthen its sales channels within the domestic asphalt market and expand from previous exclusivity provisions in Queensland (as outlined in ASX announcement on 22 September 2020).

Based in Brisbane, Stanley Roads has more than 50 years of experience and expertise in the road construction industry. Stanley Roads consists of several companies: Stanley Road Construction which is responsible for road construction works, Stanley Asphalt which produces asphalt and road base products, Stanley Resource Recovery which processes road construction waste and Stanley Equipment Solutions, a related equipment hire company.

During the quarter, the parties implemented Phase One of their relationship. This phase involved working on modifying Stanley's plant operations to allow the processing of Pearl's tyre-derived liquid fuels as a replacement for diesel fuel. Pearl's fuel testing through the asphalt process was successful and showed its potential for significant cost savings.

Key executive hire - COO

The Company is pleased to advise that it has appointed Mr Ernesto Mollica as Chief Operating Officer. Mr Mollica is an experienced senior manager with international experience as a general manager in project management, manufacturing and business development. He brings several decades of leadership experience in the industrial and chemical industries with organisations including Downer Group, Orica and Dyno Nobel. Mr Mollica has commenced his role based at the Company's Stapylton plant and Pearl Global welcomes him to the Company.

Supportive Government policy

As announced on 9 October, the 2020 Federal Budget funding includes \$1.3 billion for transport infrastructure projects in the Company's home state of Queensland and approximately \$250 million to modernise recycling and waste reduction infrastructure. The Federal Government has also resolved to ban the export of tyre waste and waste plastic, paper, and glass, as formalised in the Recycling and Waste Reduction Act 2020, with councils now having to find ways to recycle this waste onshore.

The Company also notes the Victorian government's mid-January announcement that it would fund 7 new projects which will boost plastic recycling in the state by 40% and reduce the amount of material going to landfill.

These announcements follow the federal, state, territory and local government ministers agreeing in November 2019 to phase out export of whole and baled tyre waste by the end of 2021.

The authorities are exhibiting their resolve to prioritise transforming the way waste is processed in Australia, and this will benefit the Company on several fronts. The banning of waste tyre exports is expected to drive growth in feedstock for Pearl's unique, clean conversion technology, through which the Company turns waste tyres into valuable fuel, steel and carbon char products.

Growth in funding for Queensland transport infrastructure projects is also expected to spur demand for asphalt suppliers' products and services. Governments and councils are emphasising environmentally friendly asphalt, which is becoming increasingly evident in the council tender bidding process. Pearl provides products that can reduce customers costs, improve the asphalt, and provide opportunities to win tenders based on environmental sustainability.

There are approximately 130 asphalt plants in Australia, all of which have the potential to use Pearl's products designed to support critical Environmental, Social and Governance (ESG) initiatives, with tender applications increasingly being weighted to recognise recycled products over virgin resources.

Outlook

The Company expects to deliver greater growth in the March quarter and over the balance of CY21 as attitudes towards the environment and waste policy at all levels of Government continue to evolve to favour Pearl and its products.

The successful capital raising will enable the Company to continue expanding its Stapylton facility, drive growth and make essential capital purchases such as a tyre crumbing plant, an additional shredder and infrastructure related to fuel processing and shortage.

Growth of the Queensland facility will allow Pearl to optimise its 20,000 tpa processing facility, capable of cleanly converting approximately 2.5 million used car tyres per annum into valuable end products.

The Company sees ample opportunity to continue to ramp up production in FY21 and scale up to significant growth in oil, carbon and steel production and sales.

Quarterly cashflow analysis

The Company continued to build its inventory of fuels and carbon char products during the December quarter ahead of increases in production volumes and domestic sales expected in CY21. During the quarter the Company had cash operating outflows of \$2.38 million (net of receipts of \$0.264 million); net cash used in financing activities of \$0.541 million; and net cash received from financing activities of \$6.072 million. Cash on hand at the end of the quarter was \$6.437 million. Further details of the quarter's cash flows are set out in the attached Appendix 4C.

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

Non-executive director's fees - \$23k

Executive director fees & salaries - \$154k

Total - \$177k

Authorised by:

Gary Foster

Chairman

For further information, please contact:

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Website – <https://www.pearlglobal.com.au>

About Pearl Global Limited

Pearl Global Limited (Pearl) (ASX: PG1) is a revolutionary tyre processing company that applies unique, next-generation thermal desorption technology to cleanly convert tyres into valuable secondary products including waste to energy opportunities. Pearl holds Australia's first environmental approvals for the thermal treatment of rubber and is in commercial production at its facility in Stapylton, Queensland.

Pearl's technology is a significant advancement on other methods of processing waste tyres because it has low emissions, no hazardous by-products, requires no chemical intervention and is the only process that meets the standard emissions criteria set by the Australian regulators for this type of technology.

Appendix 4C

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

Name of entity

PEARL GLOBAL LIMITED [ASX:PG1]

ABN

90 118 710 508

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	264	1,913
1.2 Payments for		
(a) research and development	-	(277)
(b) product manufacturing and operating costs	(1,479)	(3,459)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(877)	(1,729)
(f) administration and corporate costs	(288)	(349)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(18)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,380)	(3,919)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(653)	(1,303)
(d) investments	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	112	(3)
2.6	Net cash from / (used in) investing activities	(541)	(1,306)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,156	8,287
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(250)	(250)
3.5	Proceeds from borrowings	1,387	1,810
3.6	Repayment of borrowings	(221)	(398)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	6,072	9,449

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,285	2,213
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,380)	(3,919)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(541)	(1,306)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,073	9,449
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,437	6,437

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,437	3,285
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,437	3,285

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	177
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	1,750	1,750
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,750	1,750
7.5	Unused financing facilities available at quarter end	-	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Finance for equipment and working capital in the amount of \$1.75 million, with a term of 4 years at an interest rate of 10% and a security interest held over selected operating assets		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,380)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,437
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,437
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.70
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

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

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

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

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

Date: 29 January 2021

Authorised by: Gary Foster, Chairman

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

Notes

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