

ASX ANNOUNCEMENT 30 JULY 2021

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

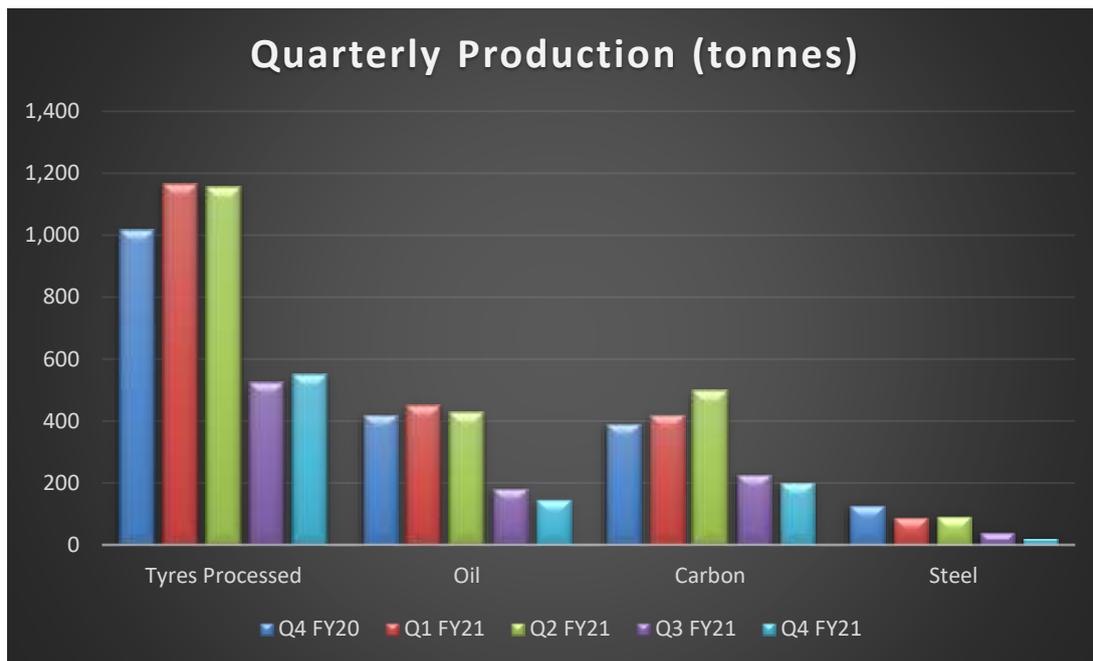
HIGHLIGHTS:

- Third consecutive quarterly rise in cash receipts, driven by growth in volume of waste tyres processed, and sales of the Company's key products of environmentally friendly waste tyre-derived fuel oil, carbon char and steel
- Pearl expands its customer base through a new Supply Agreement with Alex Fraser Pty Ltd, Australia's leading producer of sustainable materials for the civil construction industry
- Strong market outlook with December 2021 Federal government ban on export of waste tyres requiring new solutions for the disposal of waste tyres

Environmental technology and infrastructure company Pearl Global Limited (ASX: PG1, Pearl or the Company) is pleased to provide a review of operations and Appendix 4C for the quarter ended 30 June 2021.



1. Incl. government grants and non-tax incentives



Operations Summary

Pearl saw its third consecutive rise in quarterly cash receipts during the June quarter, along with good progress with its sales and sales channels. Production during the period saw the Company cleanly convert 551 tonnes of waste tyres, the equivalent of approximately 70,000 passenger car tyres. Output from tyre processing delivered 202 tonnes of recovered carbon black, 21 tonnes of steel and 146 tonnes of tyre derived fuel oil.

Pearl is focussed on improving the balance between its sales cycle and production. Given the initial concentration of its customer base, sales for the end-products have been lumpier than expected. Diversifying its customer base has been a key focus for the business and over the last 6 months, the Company has secured 2 new customers with 4 more in the near-term pipeline. Given the slower than expected sales cycle and some recurring equipment failures in the thermal desorption process that slowed production, the Company took the opportunity to enhance its processes to increase future uptime and reliability. These changes saw lower production than anticipated for the quarter.

Pearl has also successfully entered the tyre rubber crumbing market and sales have recently begun. Entering this market increases Pearl’s diversity of product offering.

Major supply agreements concluded post quarter

The Company signed a new agreement with Alex Fraser Pty Ltd, Australia’s leading producer of sustainable materials for the civil construction industry, soon after the end of quarter.

Alex Fraser is a subsidiary of Heidelberg Cement Group (ETR: HEI), which is the largest producer of aggregates globally and employs over 59,000 people across 2,700 locations. Heidelberg Cement Group owns and operates four asphalt plants in Australia under the Alex Fraser and other brands.

Under the Agreement, Pearl will supply its cleanly converted tyre derived fuel oil for Alex Fraser to use as a replacement for diesel, along with recovered carbon black to enhance the properties of Alex Fraser’s asphalt. The agreement has an initial one-year term with four annual options to extend available thereafter.

Although the agreement references no fixed or minimum product volumes, Alex Fraser anticipates usage per annum to be one million litres of fuel and 360,000 kilograms of recovered carbon black per asphalt plant. Pricing is confidential, but should anticipated volumes be reached, Pearl’s revenues attributable to the first Alex Fraser asphalt plant would be in excess of \$500,000.

The volumes contemplated under the agreement represent approximately 25% of Pearl’s annual production capacity of fuel and approximately 10% of recovered carbon black.

Crumb rubber production and sales commence

During the quarter, Pearl produced its first waste tyre derived crumb rubber products after the Company took delivery of the crumb processing plant. Following commissioning and quality testing, Pearl recently achieved first sales of crumb rubber.

The Company now expects to expand production and sales over the coming six-months to track rising demand and to meet full capacity of the plant. The plant is designed to produce between 2,500 to 3,000 tonnes of crumb rubber per annum.

As announced to the ASX on 31 August 2020, Pearl has a preferred supply agreement with Australian bitumen manufacturer, Bituminous Products, to supply up to 1,500 tonnes of crumb rubber per annum over an initial three-year term.



Pearl’s first crumb rubber plant
Installed June 2021 Stapylton,
QLD



Production of 4mm rubber crumb
used in broad industrial market
applications



Production of 0.6mm rubber
crumb used in the bitumen
markets

Source – Company

Keshi Options expiry extended

Pearl reached agreement with shareholders of Keshi Technologies Pty Ltd (“Keshi”) to extend the exercise date of the call option to acquire 100% of Keshi (“Keshi Call Option”) by 12 months to 11 June 2022.

Keshi is the owner of the intellectual property relating to the technology used in the Company's TDUs which allows Pearl to cleanly convert end-of-life rubber tyres to fuel oil, carbon black and steel. The Keshi Call Option agreement was first announced to the ASX on 15 April 2019.

The option agreement provides that Pearl may acquire 100% of the shares in Keshi in exchange for 112.5 million shares in Pearl in an all-scrip transaction. The number of shares to be issued as consideration for the acquisition is now based on a fixed price of \$0.10 for each Pearl share after the parties agreed to a change during the quarter.

Pearl sought and received shareholder approval for the extension of the Keshi Call Option under Listing Rule 10.1 on 7 June 2019. Before the Keshi Call Option (and the issue of Company shares on completion of the acquisition) can be exercised, approval will be required from shareholders in accordance with Listing Rules 7.1 and 10.11.

Outlook

The size of the market for tyre recycling services in Australia is expected to record considerable growth in CY21 as organisations look for sustainable end-of-life solutions before the ban on used tyre exports comes into effect on 1 December 2021.

Currently 260,000 tonnes of waste tyres are exported annually from Australia according to Tyre Stewardship of Australia. With this avenue of disposal banned, waste tyre exporters need to find other, more sustainable, methods of disposing of waste tyres.

Pearl sees significant opportunity in the likely increased demand for its environmentally friendly, sustainable, solution to waste tyres.

The Company sees ample opportunity to continue to scale up its production and sales of energy, carbon and steel products in FY22, creating value and positive outcomes for all stakeholders through the clean conversion of waste materials.

Quarterly cashflow analysis

During the quarter, the Company saw net cash operating outflows of \$1.3 million (net of cash receipts of \$0.4 million), \$1.3 million in net cash used in investing activities and net cash used in financing activities of \$0.1m. Cash on hand at the end of the quarter was \$2.96 million.

\$0.9m of operating cashflows relate to production operations at the company’s Stapylton site, with costs incurred evenly between collections & shredding and recycling costs associated with the thermal desorption units and new crumbing plant.

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 - \$154
Total - \$177k

Further details of the quarter's cash flows are set out in the attached Appendix 4C.

Authorised by:
Gary Foster
Chairman

For further information, please contact:
Investors – Gary Foster gf@pearlglobal.com.au
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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	433	2,341
1.2 Payments for		
(a) research and development	-	(277)
(b) product manufacturing and operating costs	(878)	(5,485)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(1,080)	(3,527)
(f) administration and corporate costs	(448)	(1,259)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(41)	(59)
1.6 Income taxes paid	(51)	(51)
1.7 Government grants and tax incentives	740	1,033
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,325)	(7,284)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(921)	(2,224)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(395)	(395)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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)	-	(3)
2.6 Net cash from / (used in) investing activities	(1,316)	(2,622)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	9,787
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)
3.5 Proceeds from borrowings	-	1,810
3.6 Repayment of borrowings	(110)	(693)
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	(110)	10,654

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	5,712	2,213
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,325)	(7,284)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,316)	(2,622)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(110)	10,654
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,961	2,961

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	2,961	5,712
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)	2,961	5,712

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	175
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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 provided by Global Credit Investments Pty Ltd 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. The facility requires Pearl to maintain a minimum balance of \$1,000,000 of available cash until certain earnings hurdles are met.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,325)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,961
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,961
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.2
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A.	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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: .30 July 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.