

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

HIGHLIGHTS:

- Strong rise in Pearl's tyre collections drives a 220% increase in customer cash receipts to \$1,649,000 in Q1 FY21 from \$516,000 in Q4 FY20.
- Processing operations continue to improve with 1,165 tonnes of waste tyres cleanly converted during September quarter, an increase of 12.8% over previous quarter.
- Federal Government budget speech delivered on 6th October 2020 resolved to ban the export of tyre waste, strongly supporting Pearl's in-country solution to treat tyre waste.

Pearl Global Limited (**ASX: PG1, Pearl or the Company**) is pleased to provide an operations review and Appendix 4C to shareholders for the quarter ended 30 September 2020.

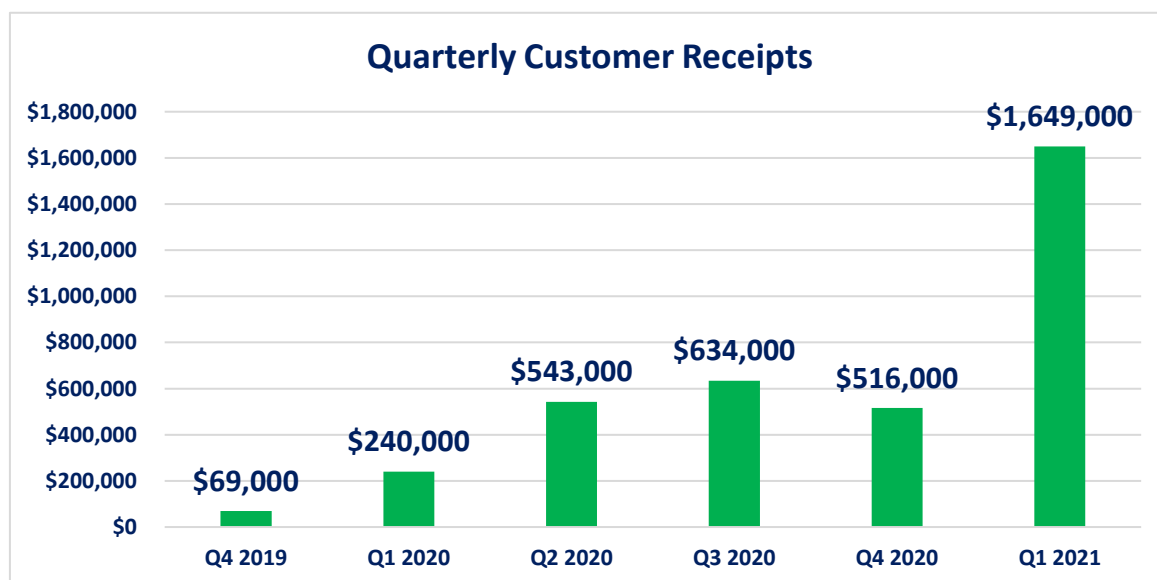


Chart 1: Quarterly customer receipts (source: Company)

Customer receipts increase 220% to \$1,649,000 from \$516,000 in the previous quarter

Customer receipts increased to \$1,649,000 during the quarter, driven predominantly by the Company's used tyre collection activities with increased demand from used tyre collectors who are shifting from their previous export-focused solution (which is being phased out ahead of a ban) towards Pearl's environmentally friendly solution. This activity has allowed Pearl to secure a strong supply chain of used tyres, which will be processed in the coming quarter.

The Company expects to see demand continue to rise from councils and retail organisations that are keen to find alternatives to export or want to ensure their used tyres are being disposed of in an environmentally friendly manner, supporting and driving Pearl's growth.

Pearl Global Chairman, Mr. Gary Foster, said:

"The last three months has seen an influx of existing and new customers wanting to use the Pearl process to ensure an impactful and beneficial outcome for their used tyres. We are currently working through a backlog of demand while we work towards increasing our processing capabilities to catch up with current and foreseeable demand."

Used tyre processing and production for September quarter

The Company cleanly converted 1,165 tonnes of waste tyres during the period, 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 quarter, the Company has built up its inventory of fuels and carbon char products. It is expected that Q2 FY21 will see a continued increase in production volumes.

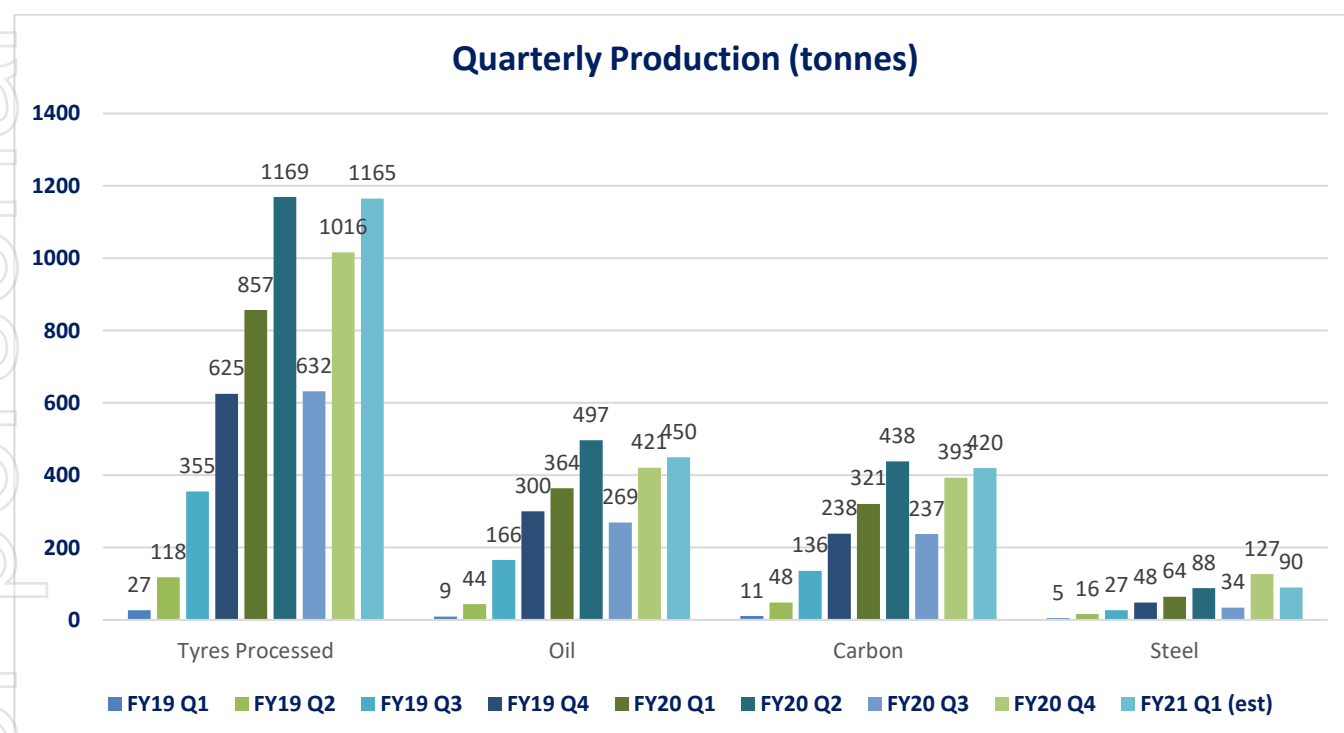


Chart 2: Processing and production outputs (Source: Company)

Quarterly cashflow analysis

A significant rise in tyre collections and processing volumes led to an expected increase in operational costs for the period. A series of one-off costs associated with regional council tyre collection campaigns, site infrastructure additions and research and development costs were incurred during the period. The increased processing volumes has allowed the Company to build a sales inventory of fuels and carbon char in preparation for its domestic sales. Currently, Pearl holds approximately \$300,000 worth of inventory.

There was an increase in general maintenance expenses (maintenance is currently outsourced) mainly due to the establishment, testing and commissioning of the Company's third Thermal Desorption Unit (TDU3).

Management has identified some recurring expenditure savings that have the potential to save the Company in the vicinity of \$500,000 per annum. The Company is now implementing these change initiatives. For example, with three TDUs now operating, the Company can now justify establishing its in-house maintenance crew as opposed to outsourcing this activity. This is expected to drive a significant reduction in maintenance expenditure, one of the Company's recurring cost items.

Managing Director, Mr. Andrew Drennan, said:

"As we continue to build scale, we can implement a number of cost reduction initiatives. To date, in building our volumes, tyre supply networks and processing capabilities we were best to outsource several activities. With increased critical mass we are able to bring maintenance in-house and expect to realise cost savings."

"We are also coming to the end of our R+D expense obligations with University of Western Australia, which has provided us valuable intellectual property for the future to produce higher value secondary products at the appropriate time."

Quarterly summary and record production in October 2020

Whilst the September quarter showed a healthy increase in revenues, operational costs grew due to a number of one-off items. Costs are on target to normalize at lower levels. Lower operational costs combined with record levels of production in the month of October, combined with stored sales inventory, will drive greater fuel and carbon sales volumes in the December quarter, as the Company's asphalt customers ramp up their production volumes from successful trial phase to full commercial operations using Pearl's fuels and carbons.

Domestic sales channels strengthening, with Pearl's fuels and carbon products used in asphalt manufacturing

During the period the Company made strong progress with two asphalt manufacturers, Aussee Road Services and Stanley Road Services. Both companies have successfully commissioned optimisations to their processes to successfully realise cost savings and quality improvements by utilising Pearl's fuels and carbon char. Key benefits provided to the asphalt manufacturers are operational cost savings and the ability to produce a superior asphalt product by using carbon char in the asphalt recipes whilst providing a higher level of beneficial environmental outcomes.

As Pearl continues to work with Stanley and Aussee, data provided to Pearl from these developments will enhance the Company's ability to provide proven results to then market to other asphalt and bitumen industry participants and therefore attract more customers.

Federal Government's recent budget announcement delivered on 6th October 2020 supports Pearl's growth strategy

In October, Pearl announced the potential positive impact on the Company associated with the banning of the export of certain waste streams which included used tyres. The banning of waste tyre exports is expected to drive growth in feedstock for Pearl's clean conversion technology, through which the Company turns waste tyres into valuable fuel, carbon char and steel.

Growth Outlook

Strong demand from companies and local councils that are required to dispose of used tyres in the most environmentally friendly way is driving greater demand for Pearl's business operations and environmental outcomes, as the traditional waste tyre collection and export model comes under greater government scrutiny. This market dynamic has been reflected by the substantial increase in revenues during the quarter coming from gate fees charged by Pearl.

Further, following the completion of successful commercial scale trials with the Company's products being used in asphalt production, the Company has begun building inventory in preparation for anticipated domestic sales in the December 2020 quarter.

With the Company increasing scale in its production facility in Stapylton, the Company can now implement a number of cost saving initiatives which will allow for more streamlined and efficient production growth.

Pearl has been influential in ensuring successful outcomes for its asphalt production partners and has achieved targeted milestones which is underpinning customer confidence. This in turn this had led to an increase in new customer enquiries and an expansion of the Company's sales pipeline.

Government policy continues to move in the Company's favour, and with the above activities Pearl is well positioned to plan for further growth in production and sales.

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

	\$ '000
Non-executive director fees	\$23
Executive director fees/salaries	\$154
	<hr/>
	\$177

Authorised by:
The Board

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 September 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,649	1,649
1.2	Payments for		
	(a) research and development	(277)	(277)
	(b) product manufacturing and operating costs	(1,980)	(1,980)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(852)	(852)
	(f) administration and corporate costs	(61)	(61)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(18)	(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	(1,539)	(1,539)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(650)	(650)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)	(116)	(116)
2.6	Net cash from / (used in) investing activities	(766)	(766)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,131	3,131
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	423	423
3.6	Repayment of borrowings	(178)	(178)
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	3,377	3,377

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,213	2,213
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,539)	(1,539)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(766)	(766)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,377	3,377
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,285	3,285

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	3,285	2,213
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)	3,285	2,213

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	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. 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	458	458
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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. <div style="border: 1px solid black; padding: 5px; min-height: 50px;"> Equipment finance in the amount of \$458,584, with a term of 2 years at an interest rate of 9.1% and a security interest held over TDU03. </div>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,539)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,285
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,285
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.13
<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? <div style="border: 1px solid black; padding: 5px;"> Answer: N/A </div>	
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? <div style="border: 1px solid black; padding: 5px;"> Answer: Yes. The Company intends to undertake a capital raising in the near future. The Board is confident the required funding will be achieved. </div>	
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? <div style="border: 1px solid black; padding: 5px;"> Answer: Yes. The Company expects to be in a position to raise sufficient equity to fund on-going operations for a period of 12 months. </div>	
<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 October 2020

Authorised by: The Board of Pearl Global Limited
(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.