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## Pearl Global Ltd Operations Update

### Highlights

- Secured offtake commitment for the sale of 100% of Pearl's fuel production and first commercial shipments completed during December 2018 quarter
- Two units fully commissioned and operating
- 119 Tonnes of waste tyres processed in under one month
- Streamlining and ramp up of production progressing well
- Maiden revenues achieved from multiple revenue streams: Fuel, tyres, steel
- Advancing solvent and degreaser products

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Pearl Global Limited (**Pearl**) (ASX:PG1) provides the following update to shareholders.

### Malaysian refinery agrees to buy 100% of Pearl fuel production

Pearl has successfully delivered its first 60,000 litres of fuel from its Stapylton site (ASX announcement 4 July 2018) to Hiap Huat, a Malaysian waste management and refinery company. Following this, Hiap Huat has agreed to receive all volume produced by Pearl, the price for which will be based on a negotiated commercial pricing formula for fuel commodity MOPS 380 FOB based on the standards and volume of each shipment.

Pearl has confirmed a new order of **100 tonnes of fuel for delivery to Malaysia, of which 45 tonnes has already been exported.**

### Successful commissioning of two units and advancement to full time operations continues

While not without its challenges, during the December 2018 quarter, Pearl successfully completed final commissioning and stage one of ramp up of the two Thermal Desorption Units (**TDUs**) at its Stapylton site.

With the successful commissioning of the TDUs, Pearl was able to recruit 3 new operators. As a result, the Stapylton site is now operating 24 hours a day on 4 day-on, 3 day-off rosters. The schedule involves the continuing development of processes to optimise and maximise the operation of the TDUs within the 96 hours per week currently allocated. The three day-off roster is required to provide workers adequate down time. During downtime, assessment of the TDU maintenance requirements and refining processes are reviewed, with a view to expand the "day-on" roster. Results in this regard have been positive. Accordingly, Pearl will commence the next stage of its

hiring process and training of additional operators with the intention of further optimising rosters and approach 24/7 operations over the coming months.

Managing Director, Mr Andrew Drennan said that, *“One off capital expenditure and delays impacted our December quarter results but are now fully resolved. Over the last 12 months, capital of approximately \$1 million has been spent to ensure optimisation of our processes and products as well as development of the TDUs hardware and software design. Importantly, our improved modified process has enhanced our product further and there have been no material issues with the operation of the TDU’s themselves. Without committing this capital, our progression would have stagnated, so it was essential to move to successful commissioning.*

*Most importantly, our 2 TDUs are operating consistently well, and on a repeatable basis. The performance of the machines improves the longer they are on and our recent move to our 96-hour per week continuous roster has allowed a material increase in production, processing and commodity output volumes.”*

### **Production, processing and new shipment of fuel oil: 15,000 used tyres processed**

Since the completion of hiring and initial training of new operations in mid-December 2018, and despite the Stapylton site being only in its first stage of ramp up, Pearl has successfully processed more than **119 tonnes of waste tyres** or the equivalent of approximately 15,000 standard car tyres. From this processing, fuel oil volumes exceeded 40% of the volume processed which exceeded Pearl’s expectations of 35%.

### **Carbon char sales: advancement in coal replacement product**

Pearl has sent bulk samples of more than 20 tonnes of its carbon char product to a domestic customer who has since confirmed its acceptability as a coal replacement commodity. Bulk processing through a boiler system is currently being completed to assess the energy output of Pearl’s coal replacement commodity which will then facilitate Pearl’s final pricing negotiation in respect of the product. Initial feedback from the customer is that the energy performance is attractive.



*TDUs in operation at Stapylton*



*Delivery of carbon char leaving Stapylton site: Source Pearl*

## Advancing solvent and degreaser products

After several months of laboratory and field testing, Pearl has settled on a unique formula that it believes will create high quality degreasers from the extraction of solvents from its fuel. With access to Hiap Huat's Malaysian refinery, it has been agreed to bulk test the refinement of solvents from Pearl's Tyre derived fuel on a commercial scale utilising the refinery.

## Summary of quarterly activities and comments on 4C

Pearl has now realised its maiden revenues from multiple revenue streams being from used tyres, fuel and steel sales, in line with its developing business model. Approximately \$300,000 was spent on capital expenditure related to plant and equipment associated with performance improvement and safety of the facility. The previous quarter saw a similar amount spent. Whilst the total amount was more than budgeted, this expenditure was essential to enable Pearl to fully commission the Stapylton site and transition to an operating business with a demonstrable site. With a consistent operating site, Pearl is in a position to increase its volumes and revenues, meet all environmental and safety obligations, and to develop its planned business model.

Chairman Mr Gary Foster said that, *"We know Pearl has a world changing process in dealing with the global issue of used tyres. We have successfully addressed a number of unforeseen challenges given we are at the frontier of this technology. We have now crystallised our vision of successfully commissioning and ramping up the TDU's. The TDU's are running, processing waste tyres, and producing saleable fuel, steel, carbon and gas products, all under the strictest global emission standards.*

*We have made further significant progress in securing an offtake commitment for all our fuels and being able to showcase consistency of production. We expect these results will provide the platform for us to develop our planned business model. We look forward to keeping the market informed as we enter the next exciting stage of our evolution."*

### **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. Pearl has Australia's first and only environmental approvals for the thermal treatment of rubber, and is in the process of commissioning its first commercial scale production plant 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.*

*Tyres are not naturally degradable, with tyre fires<sup>1</sup> and pollution<sup>2</sup> becoming major causes for concern, Governments are increasingly seeking solutions for dealing with waste tyres, and Pearl's technology provides a clean solution to this global problem.*

### **Further information, please contact:**

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**Media** – [info@pearl-global.com.au](mailto:info@pearl-global.com.au)

**Website** – <https://www.pearl-global.com.au>

<sup>1</sup> Tyre fires a major hazard [ABC News 28 June 2017 re Tyre Fire Rocklea](#)

<sup>2</sup> A global pollution problem [Report on tyre recycling and California smog problem](#)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

PEARL GLOBAL LIMITED (ASX: PG1)

**ABN**

90 118 710 508

**Quarter ended ("current quarter")**

31 December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	19	20
1.2 Payments for		
(a) research and development	(103)	(251)
(b) product manufacturing and operating costs	(245)	(542)
(c) advertising and marketing	-	-
(d) leased assets	(109)	(215)
(e) staff costs/directors salary	(310)	(512)
(f) administration and corporate costs	(269)	(466)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	722	722
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(293)</b>	<b>(1,241)</b>

**2. Cash flows from investing activities**

2.1 Payments for acquisition of:

(a) property, plant and equipment	(251)	(520)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(251)</b>	<b>(520)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,416	2,633
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(293)	(1,241)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(251)	(520)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>872</b>	<b>872</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	872	1,416
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>872</b>	<b>1,416</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

160

-

Directors salaries and fees

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	80
9.2 Product manufacturing and operating costs	150
9.3 Advertising and marketing	10
9.4 Leased assets	100
9.5 Staff costs	180
9.6 Administration and corporate costs	80
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>600</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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**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.

Sign here: .....

(DIRECTOR)

Date: .....31 January 2019.....

Print name: .....VICTOR TURCO.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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