

Pearl Global Limited

Appendix 4E

Preliminary Final Report

Company Details

Name of entity:	Pearl Global Limited
ABN:	90 118 710 508
Reporting period:	Year ended 30 June 2019
Previous period:	Year ended 30 June 2018

Results for Announcement to Market

	Increase/ (decrease)	Year Ended 30 June 2019	Year Ended 30 June 2018*
	%	\$	\$
Loss from ordinary activities	(0.2%)	4,710,054	4,720,259
Loss before interest and tax (EBIT) from ordinary activities	10.4%	4,580,815	4,149,443
Loss from ordinary activities attributable to the owners of Pearl Global Limited	(0.2%)	4,710,054	4,720,259
Loss for the year attributable to the owners of Pearl Global Limited	(0.2%)	4,710,054	4,720,259

* Restated, refer to Note 4

Dividends

There were no dividends paid, recommended or declared during the year.

Net tangible assets

	CONSOLIDATED 2019	CONSOLIDATED 2018
	cents	cents
Net tangible assets per ordinary security	4.36	5.13

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	CONSOLIDATED 2019	CONSOLIDATED 2018 (Restated)
		\$	\$
Revenue		173,226	2,000
Other income		694,612	1,276,401
Operating Expenses	2	(1,748,546)	(933,915)
Depreciation	6	(377,037)	(157,308)
Amortisation of intangibles	8	(206,250)	(206,250)
Employee benefit expense		(1,079,225)	(614,821)
Finance costs	3	(10,709)	(11,871)
Other expenses	2	(2,125,736)	(1,950,926)
Cost of listing		-	(884,511)
Operating loss		(4,679,665)	(3,481,201)
Share-based payment	4	-	(680,113)
Loss before tax		(4,679,665)	(4,161,314)
Income tax (expense)/ benefit		(118,531)	(558,945)
Total comprehensive loss		(4,710,054)	(4,720,259)
Earnings per share			
Basic & diluted loss per share (cents per share)	5	(3.11)	(5.02)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	CONSOLIDATED 2019	CONSOLIDATED 2018 (Restated)
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		5,410,200	2,727,435
Trade and other receivables		1,438,243	1,066,555
Total current assets		6,848,443	3,793,990
Non-Current Assets			
Property, plant & equipment	6	2,074,740	2,425,316
Development assets	7	2,095,642	1,205,570
Other intangible assets	8	893,750	1,100,000
Total non-current assets		5,064,132	4,730,886
Total assets		11,912,575	8,524,876
LIABILITIES			
Current Liabilities			
Trade and other payables		1,178,673	349,083
Total current liabilities		1,178,673	349,083
Non-Current Liabilities			
Deferred tax		1,146,855	1,028,325
Total non-current liabilities		1,146,855	1,028,325
Total liabilities		2,325,528	1,377,408
Net assets		9,587,047	7,147,468
EQUITY			
Issued Capital	9	19,303,854	12,156,494
Options reserve	9	4,609,986	4,607,713
Accumulated losses		(14,326,793)	(9,616,739)
Total equity		9,587,047	7,147,468

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

CONSOLIDATED EQUITY 30 JUNE 2019	Issued capital	Other equity component	Option reserve	Accumulated losses	Total equity
At 1 July 2018 (Restated)	\$ 10,406,494	\$ 1,750,000	\$ 4,607,713	\$ (9,616,739)	\$ 7,147,468
Loss for the year				(4,710,054)	(4,710,054)
Total comprehensive loss for the year				(4,710,054)	(4,710,054)
Shares issued during the period	9,066,000	(1,750,000)			7,316,000
Share issue costs	(168,640)				(168,640)
Issue of options			2,273		2,273
At 30 June 2019	19,303,854	-	4,609,986	(14,326,793)	9,587,047

CONSOLIDATED EQUITY 30 JUNE 2018 (Restated)	Note 4	Issued capital	Other equity component	Option reserve	Accumulated losses	Total equity
At 1 July 2017		\$ 3,964,577	\$ -	\$ -	\$ (4,896,480)	\$ (931,903)
Loss for the year		-	-	-	(4,040,146)	(4,040,145)
Total comprehensive loss for the year		-	-	-	(4,040,146)	(4,040,145)
Shares issued during the period		8,845,927	1,750,000	-	-	10,595,927
Share issue costs		(330,000)	-	-	-	(330,000)
Issue of options		-	-	3,600	-	3,600
Share based payment as a result of the reverse acquisition		1,849,990	-	-	-	1,849,990
Prior period restatement		(3,924,000)	-	4,604,113	(680,113)	-
At 30 June 2018		10,406,494	1,750,000	4,607,713	(9,616,739)	7,147,468

The above statement in changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	CONSOLIDATED 2019	CONSOLIDATED 2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		219,562	-
Payments to suppliers and employees		(4,573,568)	(4,025,164)
Research and development grant received		722,531	542,733
Interest received		5,980	12,176
Net cash outflow from operating activities	10	<u>(3,537,355)</u>	<u>(3,470,255)</u>
Cash flows from investing activities			
Purchase of property, plant & equipment		(26,461)	(1,861,026)
Payments for development asset		(890,073)	(196,628)
Cash acquired for acquiring Pearl		-	213,185
Net cash outflow from investing activities		<u>(916,534)</u>	<u>(1,844,469)</u>
Cash flows from financing activities			
Proceeds from issue of shares		7,135,500	6,750,000
Proceeds from issue of options/exercise of options		-	4,527
Share / options issue costs		(88,140)	(363,000)
Proceeds from issue of convertible notes		-	750,000
Proceeds from borrowings		256,937	263,000
Repayment of borrowings		(156,937)	(472,136)
Borrowing costs		(10,709)	(11,871)
Net cash inflows from financing activities		<u>7,136,651</u>	<u>6,920,520</u>
Net increase /(decrease) in cash and cash equivalents		2,682,762	1,605,796
Cash and cash equivalents at the beginning of the financial year		<u>2,727,438</u>	<u>1,121,639</u>
Cash and cash equivalents at the end of the financial year		<u>5,410,200</u>	<u>2,727,438</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

To assist in the understanding of the financial statements, the following summary explains the material accounting policies that have been adopted in the preparation of the financial statements.

(a) Basis of Preparation

This preliminary financial report has been prepared in accordance with Australian Securities Exchange Listing Rules as they relate to the Appendix 4E and in accordance with the recognition and measurement requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

As such, this preliminary financial report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2018 and with any public announcement made by Pearl Global Limited during the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year.

2. EXPENSES

	CONSOLIDATED 2019	CONSOLIDATED 2018
	\$	\$
Loss includes the following specific expenses:		
<i>Operating expenses:</i>		
Rent and occupancy	365,317	380,906
Wages	367,321	185,159
Hire of plant & equipment	85,703	252,701
Maintenance	327,990	-
Fuel & power	284,812	-
Other operating expenses	317,403	115,149
Total operating expenses	1,748,546	933,915
<i>Other expenses:</i>		
Rent and occupancy	166,640	203,871
Travel expenses	147,401	154,102
Insurance	198,957	11,182
Marketing	445	36,544
Company secretarial	36,000	15,000
Accounting and audit	92,291	152,100
Regulatory expenses	62,305	19,900
Professional and consultancy fees	674,783	1,209,735
Other expenses	746,914	148,490
Total other expenses	2,125,736	1,950,924

3. FINANCE COSTS

	CONSOLIDATED 2019	CONSOLIDATED 2018
	\$	\$
Finance costs and finance income for the period consists of the following:		
<i>Finance costs</i>		
Interest expense for borrowings	10,709	11,871
Total finance costs	10,709	11,871

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4. RESTATEMENT OF PRIOR PERIOD BALANCE

During 2018, the Group discovered that an option valuation in respect to the reverse acquisition had been omitted erroneously. The correction restates each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

	2018		2018
	Previous Amount	Adjustment	Restated Amount
Contributed equity	16,080,494	(3,924,000) ⁱ	12,156,494
Options reserve	3,600	4,604,113	4,607,713
Accumulated losses	(8,936,626)	(680,113) ⁱⁱ	(9,616,739)
Total equity	7,147,468	-	7,147,468

- i. **Issue of New Options to advisers, brokers and promoters.** The issue by the Company of up to 36,000,000 listed options to certain advisers, brokers and promoters in connection with the Recapitalisation Proposal at an issue price of \$0.0001 per option. The allotment was completed on 24 January 2018. The options are valued at 10.9 cents per option and are expiring on 24 January 2020.
- ii. **Conversion of Pearl Convertible Notes.** The issue by the Company of 6,239,567 listed options to the Pearl Noteholders, on conversion of the Pearl Convertible Notes of \$2,995,000. The allotment was completed on 24 January 2018. The options are valued at 10.9 cents per option and are expiring on 24 January 2020.

5. LOSS PER SHARE

	CONSOLIDATED 2019	CONSOLIDATED 2018*
	\$	\$
(a) Basic earnings per share		
Loss from continuing operations attributable to owners of Pearl Global Limited used to calculate basic earnings per share	4,710,054	4,720,259
(b) Diluted earnings per share		
Loss from continuing operations attributable to owners of Pearl Global Limited used to calculate diluted earnings per share	4,710,054	4,720,259
	CONSOLIDATED 2019	CONSOLIDATED 2018*
	No of Shares	No of Shares
Weighted average number of ordinary shares used as a denominator in calculating basic and diluted earnings per share	151,241,736	94,029,321
Loss per share attributable to owners of the Company:		
Basic loss per share (cents per share)	(3.11)	(5.02)
Diluted loss per share (cents per share)	(3.11)	(5.02)

* Restated, refer to Note 4

Options being potential shares are not considered dilutive and have not been used to calculate diluted loss per share (refer note 9: Options reserve).

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6. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2019	CONSOLIDATED 2018
	\$	\$
Cost	2,963,494	2,937,032
Accumulated depreciation	(888,753)	(511,716)
Balance at the end of the year	<u>2,074,740</u>	<u>2,425,316</u>

MOVEMENTS	CONSOLIDATED 2019	CONSOLIDATED 2018
	\$	\$
Balance at the beginning of the year	2,425,316	721,599
Additions	26,461	1,861,025
Depreciation	(377,037)	(157,308)
Written-off	-	-
Balance at the end of the year	<u>2,074,740</u>	<u>2,425,316</u>

7. DEVELOPMENT ASSETS

	CONSOLIDATED 2019	CONSOLIDATED 2018
	\$	\$
Cost	2,095,642	1,205,570
Accumulated depreciation	-	-
Balance at the end of the year	<u>2,095,642</u>	<u>1,205,570</u>

MOVEMENTS	CONSOLIDATED 2019	CONSOLIDATED 2018
	\$	\$
Balance at the beginning of the year	1,205,570	985,235
Additions	890,072	220,335
Depreciation	-	-
Written-off	-	-
Balance at the end of the year	<u>2,095,642</u>	<u>1,205,570</u>

8. OTHER INTANGIBLE ASSETS

	CONSOLIDATED 2019	CONSOLIDATED 2018
	\$	\$
Cost	1,650,000	1,650,000
Accumulated amortisation	(756,250)	(550,000)
Balance at the end of the year	<u>893,750</u>	<u>1,100,000</u>

The Company amortises its other intangible assets using straight line method for a period of 8 years, being the standard useful life of innovative patent in Australia.

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9. ISSUED CAPITAL

(a) Ordinary Shares as at 30 June 2019

	CONSOLIDATED 2019	CONSOLIDATED 2018	CONSOLIDATED 2019	CONSOLIDATED 2018 (Restated)
	No of shares	No of shares	\$	\$
Fully paid ordinary shares	199,453,880	144,830,484	19,391,994	12,156,494

Reconciliation of share movement	No of shares	Issue Price	Amount
Opening balance at 1 July 2018			
Shares issued during the year:			
- Shares issued as consideration for services	350,000	\$0.23	80,500
- Shares issued via Private Placement	10,199,997	\$0.15	1,530,000
- Shares issued via Share Purchase Plan	2,686,656	\$0.15	403,000
- Shares issued via Private Placement	39,370,078	\$0.127	5,000,000
- Shares issued in settlement of loan	666,666	\$0.15	100,000
- Shares issued via Private Placement	1,349,999	\$0.15	202,500
Total shares issued	54,623,396		7,316,000
Less share issue costs			(168,640)
Balance at 30 June 2019	199,453,880		19,303,854

Comparatives	CONSOLIDATED 2018 (Restated)	CONSOLIDATED 2017	CONSOLIDATED 2018 (Restated)	CONSOLIDATED 2017
	No of shares	No of shares	\$	\$
Fully paid ordinary shares	140,830,484	61,270,884	12,156,494	3,964,577

Reconciliation of share movement	No of shares	Issue Price	Amount
Opening balance at 1 July 2017	61,270,884		3,964,577
Shares issued during the year:			
- Conversion of PGM to PGL	18,729,112	-	-
- Share-based payment on reverse acq'n	9,249,952	-	1,849,990
- Shares issued pursuant to Public Offer	25,000,000	\$0.20	5,000,000
- Shares issued as consideration for services	500,000	\$0.20	100,000
- Shares issued on conversion of con notes	18,718,750	\$0.16	2,995,000
- Shares issued on conversion of con notes	3,750,000	\$0.20	750,000
- Shares issued on exercise of options	3,090	\$0.30	927
- Shares issued to Capricorn Society Ltd	7,608,696	\$0.23	1,750,000
Total shares issued	144,830,484		16,410,494
Less share issue costs			(330,000)
Total shares issued	144,830,484		16,080,494
Less share issue costs – prior period adjustment			(3,924,000)
Balance at 30 June 2018 – restated*	144,830,484		12,156,494

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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(b) Options Reserve as at 30 June 2019

Comparatives	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
	2019	2018	2019	2018 (Restated)
	No of options	No of options	\$	\$
Options	74,455,933	45,319,238	4,609,986	4,607,713

Reconciliation of share movement	No of options	Issue Price	Amount
Opening balance at 1 July 2018			
Shares issued during the year:			
- Options issued as remuneration	2,000,000	-	2,273
- Attaching to shares: Private Placement	5,100,007	-	-
- Attaching to shares: Share Purchase Plan	1,343,315	-	-
- Attaching to shares: Private Placement	19,685,039	-	-
- Attaching to shares: settlement of loan	333,333	-	-
- Attaching to shares: Private Placement	675,001	-	-
Balance at 30 June 2019	74,455,933		4,609,986

10. CASH FLOW INFORMATION

(a) Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	CONSOLIDATED	CONSOLIDATED
	2019	2018 (Restated)
	\$	\$
Loss for the year	(4,710,054)	(4,720,258)
Interest expense	10,709	
Adjustments for non-cash movements:		
Depreciation and amortisation	583,287	363,558
Share based costs of financing	-	680,113
Share based remuneration	2,273	
Deferred tax liability	118,531	558,945
Cost of listing as a result of reverse acquisition	-	884,511
Change in operating assets and liabilities		
(Increase) / decrease in trade and other debtors	(371,691)	(1,004,004)
Increase / (decrease) in trade and other creditors	829,590	(233,199)
	(3,537,355)	(3,470,255)

Control gained over entities

Not applicable.

Loss of control over entities

Not applicable.

Dividends

There were no dividends paid, recommended or declared during the reporting period.

There were no dividends paid, recommended or declared during the previous period.

Dividend reinvestment plans

Not applicable.

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Status of audit

This Appendix 4E is based on a Financial Report that is in the process of being audited.

Audit dispute or qualification

Not applicable.

Commentary on results

Pearl is a revolutionary industrial technology company, that applies unique, next generation thermal desorption technology to cleanly convert tyres into commercial grade Fuel oil, steel, carbon char and clean gas. Pearl is the only Company in Australia that has been granted an environmental license to commercially process waste tyres and that is in production.

During the year Pearl continued to commercialise its operations. A series of milestones were achieved which confirmed the capabilities and commercial benefits of the technology. Production was ramped up through the operations commissioning stage. A series of technical refinements and improvements to the thermal desorption units were achieved. The Company established favourable commercial markets for its products, including committed sales of fuel oil to a Malaysian refinery whom requested to acquire 100% of fuel production, sales of steel to the domestic market, and sales of carbon char offshore.

Pearl realised its maiden revenues during the year, which came from multiple revenue streams, including the gate fee paid to Pearl to remove and receive used tyres; fuel and steel sales, in line with its developing business model. Whilst commissioning over the 12-month period, Pearl continued to independently monitor its air emissions. On all occasions, the Company was significantly below the allowable emission limits, which is key to the process and gives the Company a significant first to market advantage.

In May 2018, Pearl entered into a supply agreement with Australian Tyre Processors Pty Ltd (ATP), to take and recycle ATP's supply of used tyres, which ATP shreds to Pearl's required size. Pearl received a gate fee of \$75 per tonne of shredded tyres. The agreement also provided Pearl the option to acquire ATP. Pearl exercised its Option in April 2019 and completed the acquisition in August 2019. The acquisition of ATP provided vertical integration ensuring greater control over Pearl's supply chain. It also enables Pearl to realise increased gate fee revenues from the tyre collection and shredding business.

Along with a \$1.63 million private placement, in which Directors and management participated, Pearl secured a significant cornerstone investment from ROC Asset Management Pty Ltd. ROC acquired a 19.74% stake for \$5 million. This key investment provides the working capital expected to be needed to further grow the business, expand operations, and secure broader markets. It also brings an experienced private equity group as a key investor and advisor.

Pearl announced in April 2019, that it had secured a Call Option Agreement between Pearl and all the shareholders in Keshi Technologies Pty Ltd. Keshi is the owner of the Intellectual Property (IP) of which Pearl currently holds the perpetual exclusive worldwide rights to use and exploit the IP, and which underpins Pearl's operations. Under the Call Option Agreement, all Keshi shareholders have agreed to sell their shares in Keshi, in exchange for shares in Pearl under the terms announced on the 15th April 2019.

In June 2019, Pearl announced that ATP was awarded the first Queensland government grant from the Resource Recovery Infrastructure Development Program for \$800,000. The grant money will be focussed on infrastructure to support the processing of larger earthmover and mining tyres as a way of diverting waste to landfill.

Importantly, throughout the financial period, the Company began to build on its (albeit modest) initial revenues of \$173,226 from its sales of tyre feedstock, and reclaimed fuels, carbon char and steel.

The consolidated loss of the Company and its subsidiaries for the year ended, 30 June 2019, amounted to \$4,798,194 (2018 loss: \$4,720,259).

Pearl will continue to apply its unique, next generation technology to cleanly convert Australia's waste tyre stream into high value products and increase its sales. It will continue to pursue its near-term goal of converting its clean gases into electrical energy (Waste to Energy) for its own use initially and potentially a supplier (behind the grid) of energy to the commercial markets.

Pearl remains 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 national and international expansion opportunities and possible joint venture partners as part of its expansion strategy.

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