

ASX ANNOUNCEMENT 08 APRIL 2021

## **PEARL EXPANDS PRODUCTS OFFERED AND REVENUE STREAMS WITH CRUMB RUBBER PLANT**

### **HIGHLIGHTS:**

- Pearl has begun construction of its recently delivered crumb rubber processing plant at its existing site in Stapylton, Queensland
- Crumb rubber is a new product line leveraging Pearl's established business model of used tyre collection and conversion to valuable products
- Sales are underpinned with a previously announced 3 year agreement to deliver up to 1,500 tonnes per annum of crumb rubber to a domestic supplier of bitumen and bituminous products
- Expansion into crumb rubber allows Pearl to offer a broader suite of products to customers, providing a potential market advantage over new and existing crumb rubber suppliers

Pearl Global Limited (**ASX: PG1, Pearl or the Company**) provides the following information to shareholders.

### **CRUMB RUBBER PLANT DELIVERED TO QUEENSLAND FACILITY**

On 31 August 2020, Pearl announced to the ASX its plans to expand its products offered with the addition of crumb rubber and that the Company expected to begin commissioning in early 2021. The Company has achieved a key milestone toward this goal having recently taken delivery of a new crumb rubber plant, which is under construction.

The plant is designed to produce between 1,500 and 3,000 tonnes per annum, with maximum capacity of 3,000 tonnes achievable based on a 24 hour shift program. Following commissioning of the crumb rubber plant, the Company expects a 6-month ramp-up period, with production anticipated to increase in line with expanding crumb rubber demand.

Pearl has long identified an opportunity to leverage its existing tyre collection operations to access the rapidly developing domestic crumb rubber market. Processing used tyres into crumb rubber is a synergistic capability for Pearl, complementing the Company's existing business model and providing further market expansion opportunities, along with the benefits of greater diversification of customer base and revenue streams.

Crumb rubber is produced by specialist equipment that grinds tyres into small rubber pieces. The crumb end product has multiple applications, including applications in commercial flooring, sport and recreational solutions such as playground safety surfaces, and as a binder that improves the performance of bitumen. Whilst there is no publicly available data for the demand of crumb rubber, discussions with current users of crumb rubber all expect market growth in line with increases in infrastructure spending, given that it is a key ingredient in bitumen and asphalt, which are sectors of focus for Pearl.

According to industry sources such as Cirtec, a European asphalt additive producer, a key source of increased demand for crumb rubber will likely be use in bitumen manufacturing because of the associated environmental benefits. Cirtec quote from a study completed in Europe that "the use of crumb rubber bitumen in road works would reduce the environmental footprint generated by the use of asphalt bitumen by 3% to 5%, reducing 16 kg of CO<sub>2</sub> per tonne consumed."

Pearl has identified an opportunity to enter this market as a highly credible domestic producer. Pearl's customers stand to benefit from meaningfully lower transportation costs associated with its crumb rubber compared with the high percentage of crumb rubber that is currently imported into Australia. Furthermore, Pearl's offer of both crumb rubber and carbon char as a bundle is expected to represent a superior product offering over competitors.

The Australian Asphalt Institute states that annual production of asphalt in Australia is approximately 10 million metric tonnes per annum. Further, the institute advises that annual use of bitumen (being the binder that is manufactured and added to dry asphalt to complete the asphalt process) in Australia is over 800,000 metric tonnes, with the expectation that imports of bitumen will double within the next few years.

According to industry sources, crumb rubber use in bitumen could represent up to 5% of the 800,000 metric tonnes currently being used. Therefore, Pearl will have the ability to supply not only its recovered carbon black for asphalt blends as it is doing today, but provide crumb rubber for bitumen blends, thereby selling into aligned, common and large volume domestic markets.

#### **UP TO 1,500 TONNE P.A. SUPPLY AGREEMENT WITH DOMESTIC BITUMEN MANUFACTURER**

As announced to the ASX on 31 August 2020, Pearl reached a preferred supply agreement with Australian bitumen manufacturer, Bituminous Products, to supply up to 1,500 tonnes per annum of crumb rubber for an initial three-year term. Although the customer expects to take at least 1,500 tonnes per year there is no guaranteed minimum quantity to be supplied and consequently no minimum revenue under the agreement.

The Company estimates that the combination of used tyre collection fees, plus the sale of crumb rubber produced in Pearl's new crumbing plant, has the potential to provide a new income stream in excess of \$1.25 million in annual revenue depending on levels of pricing, production and demand.



*Image 1: Rubber crumb comes in various sizes depending on commercial applications. Finer sizes (far right) is 30 mesh and typically used in asphalt. Far left image is 2mm sizing for sporting and rubber moulds, with the image in the middle 10 mesh.*

The Company expects the commissioning of the crumbing plant to be completed and operational within the coming 6-8 week period, with the expectation that sales will begin immediately on production beginning.

The Company will continue to keep the market updated.

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#### **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.*