



StreetTalk

A message from Anthony Wooles, Managing Director & CEO



Welcome to our second Street Talk newsletter. The New Year is always a period of fresh opportunity and 2007 is proving no exception, with PearlStreet embarking

on a new and exciting phase of its corporate development having commenced an IPO on the ASX.

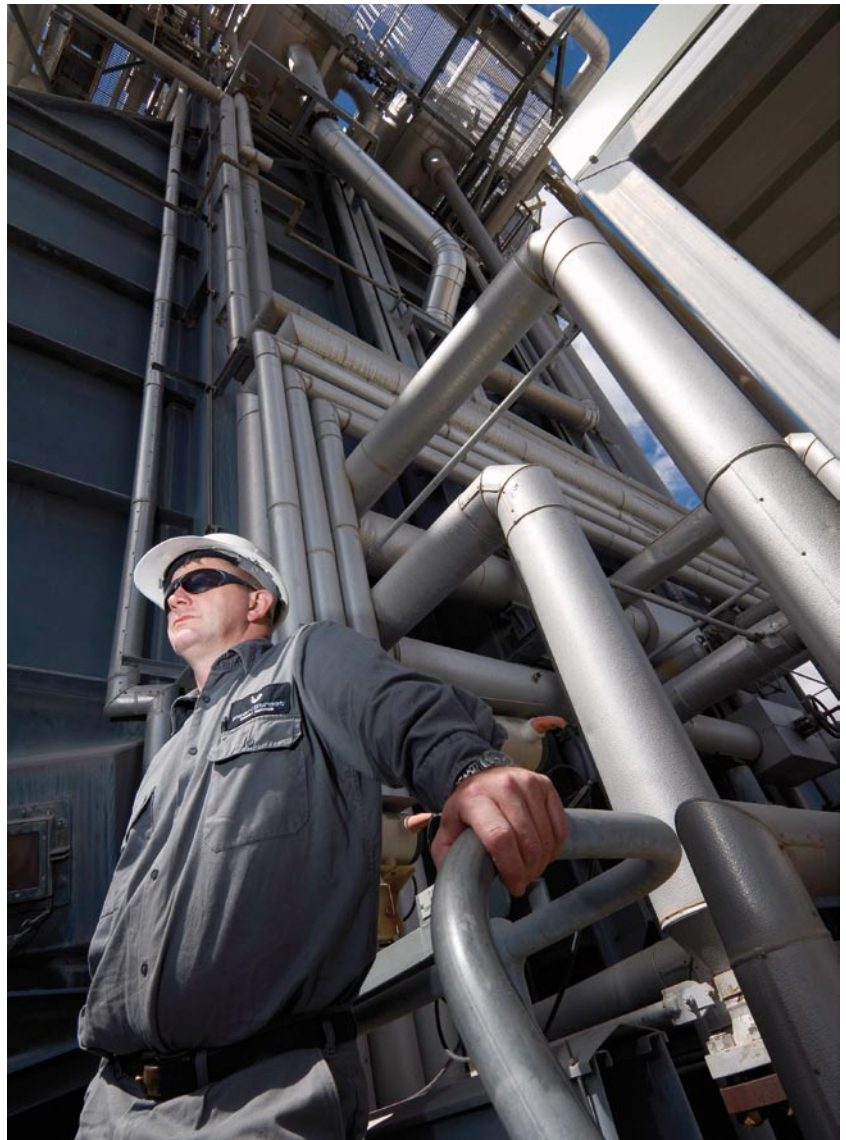
Our decision to list was motivated by a range of considerations. Firstly, it will provide additional balance sheet strength and give greater security to clients entering longer term contracts with us. Secondly, it will provide increased flexibility in developing existing business service lines and adding new ones. And finally the IPO will enable our employees and other stakeholders to participate in the Company's ongoing growth and development.

A number of changes were made to our management and governance structure as part of the pre-IPO process. Formerly Executive Chairman, I have now assumed the Managing Director and CEO role, with David Eiszele appointed to replace me as our first Non-Executive Chairman. We also welcome two additional Non-Executive directors in John Atkins and Jim McDonald, and Phil Campbell also remains on the Board. Garry Gillies steps down as a Director and continues to provide valuable support to our HR and IR functions in a consulting role.

At the same time we have moved to a national service line management structure, with Eric Kreutzer assuming overall responsibility for our Asset Integrity services. Wayne Martyn retains responsibility for Asset Management and adds the Materials Engineering and Engineering Services service lines.

I am extremely confident that our Board and service line restructure will successfully enable us to create value for our shareholders, staff and clients as we transition to a listed company.

PearlStreet to List on ASX



PEARLSTREET has entered the 2007 New Year by embarking on a significant corporate undertaking, announcing an \$8 million Initial Public Offer and ASX listing.

The Company's Prospectus was lodged with the Australian Securities and Investments Commission (ASIC) on 8 January 2007 and is scheduled to commence trading on the ASX on February 23. The Offer of 16 million shares represents 33.6% of the Company and translates to a market capitalisation of \$23.8 million upon listing based on the Offer price of \$0.50 per share.

Highlighting his ongoing commitment to the Company, Managing Director Anthony Wooles will remain PearlStreet's largest shareholder with a 59.7% stake. Existing shareholders and staff will comprise approximately 6.7% of the share register.

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Proceeds from the Offer will be used primarily to provide increased capability for significant acquisitive growth, strengthen the Company's balance sheet to fund further business opportunities, and to attract and retain key employees.

The announcement to transition from a private to public company caps off a period of considerable growth and change for PearlStreet following its acquisition of ETRS in July 2005 to create a new national force in the Australian energy services sector. In November 2006 the Board of Directors was restructured in anticipation of the IPO, as well as the senior management team aligned along national service lines to better service clients' requirements.

PearlStreet chairman David Eiszele says, "An ASX listing is the next logical step in the Company's growth strategy and is the result of significant effort and expertise in creating an attractive portfolio of long term contracts with blue chip resources and energy companies."

Anthony Wooles adds, "This Company has exciting and strategic growth prospects to further expand both organically and by acquisition given our

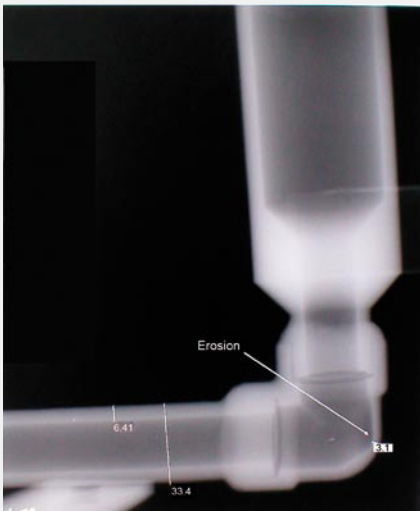
ability to integrate new businesses onto our operating platform, as well as our exposure to the buoyant resources and energy sectors.

"We are forecasting EBITDA growth of 46% for FY2007, which exceeds the strong EBITDA growth of 35% recorded in FY2006."

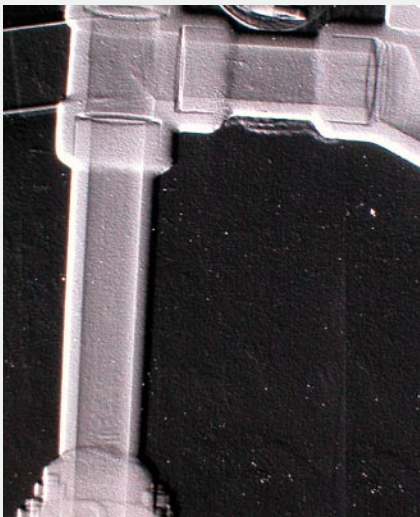
Operating from 18 locations across Victoria, New South Wales, Queensland and Western Australia, PearlStreet has 210 employees and two main operating divisions: PearlStreet Energy Services (PES) and PearlStreet ETRS (PETRS).

For the 2007 financial year, the Company is forecasting an adjusted net profit after tax of \$2.7 million on revenue of \$37.0 million, earnings of 5.3 cents per share and a fully franked final dividend of 1.6 cents per share.

Further detail in relation to both the Offer and PearlStreet is provided in the Prospectus, copies of which are available from brokers or online at www.pearlstreet.com.au or www.tolhurst.com.au. Anyone wishing to apply for shares should contact their broker and will need to complete the application form that will accompany the Prospectus.



A digital radiograph showing real time measurements and erosion.



A digitised-3D embossed radiograph.

Technology Overview - Digital Radiography

Whilst voyager, phosphor imaging plates, spectral absorption curves and phantoms may sound like space station spare parts, they resemble innovative digital technology to PearlStreet ETRS's non-destructive testing (NDT) technicians working at the Melbourne plant of one of the world's largest petro-chemical companies.

The only technology of its type in Australia, the Digital Conversion System (DCS) has been custom built for this key client's offshore oil and gas production and processing facilities, and allows for greater safety and risk reduction due to its ability to be operated onsite or remotely.

DCS enables greater accuracy and productivity for the NDT process, from film digitisation and onsite or remote radiographic inspections to archiving and reporting. The system being used on these operations comprises a CR-100 phosphor screen scanner that is connected to two high definition grey scale LCD viewing monitors; an FS50-B standard film to digital film scanner; and two mobile Voyager digital film scanners, each with their own notebook computers.

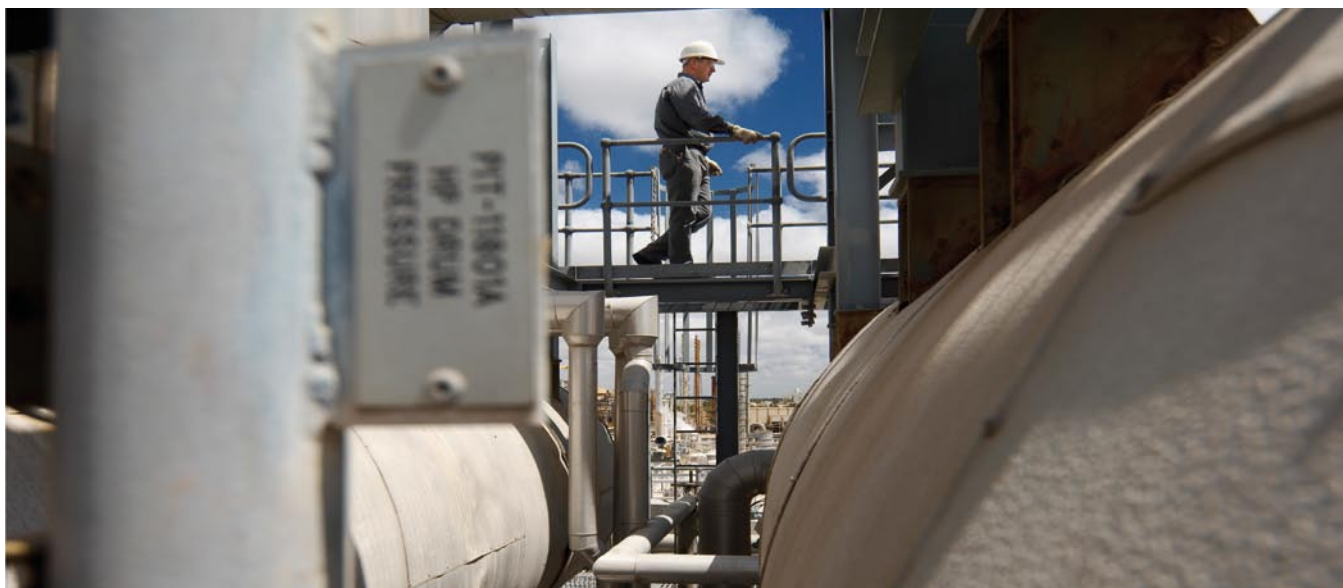
Digital radiography uses a radiation absorbing phosphor plate to capture images instead of traditional silver bromide film. Once an image is taken, the phosphor plate is processed via laser scanning technology by the CR-100 scanner or, if being operated remotely, by the Voyager scanner.

At the same time, the scanner converts the image into digital data for processing by advanced radiographic software. This data is automatically archived and displayed in a form for technicians to view, interpret and report.

The advantage of this software is its capacity to alter the digital attributes of the image and highlight otherwise unrecognisable flaws. By adjusting the contrast and latitude of the resolution, inside walls can be clearly portrayed in three dimensions without permanently distorting the true image or reading. This is of particular importance for remote fields, as any doubtful digital radiograph images can then be exported electronically to a supervisor, senior technician or client for further review and analysis.

As a result of this technology, PearlStreet ETRS is able to provide improved radiography NDT procedures that achieve advanced and timely risk detection for items requiring maintenance, greater safety and a more flexible asset management service.

Firing on all Cylinders



KMK's Cogeneration Facility

PEARLSTREET Energy Services (PES) recently completed the fast-track Fire System Upgrade Project at the 40MW KMK Cogeneration Facility located at Kwinana, south of Perth.

Since 1998, PES has been the asset manager of the Verve Energy-owned Facility, which provides electricity into the South West Interconnected System (SWIS) and process steam to the adjacent TiWest Pigmentation Plant.

The scope of the Project involved redesigning the existing fire protection system to incorporate a centralised and fully integrated fire detection and protection system across the entire power station facility.

Under the Project, a new dedicated main fire control and indicating panel was installed within the plant's main control room (MCR) to monitor all of the cogeneration facility fire detection equipment. Also included within the

project scope was the installation of a new sub-fire indicating panel for the Plant's main work shop and stores building and the re-design of the gas turbine generator fire protection system. Both these systems were linked with the new main fire control and indicating panel.

In addition, PES installed an advanced multi-point aspirated smoke detection system within the Plant's motor control centre room to improve the sensitivity and speed at which plant fires are detected and annunciated.

The Fire System Upgrade Project was successfully managed through to completion by PES's site-based asset management team, with Operator/Maintainer Mark O'Keeffe responsible for the overall coordination of the project.

This project is yet another example of PES's ability to provide clients value-added engineering asset management services.

PearlStreet ETRS Signs New Contract for Comalco Refinery

PEARLSTREET ETRS has signed a new three-year asset integrity service and maintenance contract for the \$1.5 billion Comalco Alumina Refinery (CAR) near Gladstone in central Queensland.

The relationship with CAR dates back to the commencement of construction of CAR's first stage in 2001/2002 when PearlStreet ETRS worked with EPC contractor, Bechtel Corporation, to provide non destructive testing (NDT) services.

Stage one, which was commissioned in late 2004, has the capacity to provide 1.4 million tonnes of smelter grade alumina each year, although its design enables further expansion for production to increase to more than four million tonnes a year.

Since the refinery's commissioning, PearlStreet ETRS has continued to work closely with CAR and its core contractors in the lead up to full-stage production, participating in all maintenance outages.

The range of asset integrity services provided by PearlStreet ETRS ensure the refinery is working efficiently and include radiographic surveys, tank inspections, ultrasonic weld examinations, in-service vessel inspections, weld supervision and other specialised inspections.

As a fully-owned subsidiary of Rio Tinto and one of the world's largest aluminium companies, Comalco has long recognised the benefits of implementing NDT throughout the construction process to minimise plant shutdowns and maintenance costs once the refinery is commissioned and production commenced.

PearlStreet is now very much a part of the Gladstone community, with 21 local staff and having also serviced the nearby Queensland Alumina Limited (QAL) refinery for more than four decades.

The Company is pleased to remain involved with CAR and looks forward to continuing to work closely with Comalco on its ongoing maintenance needs.

Boom Spawns New Regional Office in Growth Region



New recruits (L - R)
Clive Pattison and Peter Coldwell

PEARLSTREET has consolidated its long term presence in the coal, bauxite and mineral sand rich province in the south-west of Western Australia, opening a new regional office in the port city of Bunbury.

Situated 175km south of Perth, Bunbury's deep-water port moves more than 12 million tonnes of cargo each year and the surrounding Collie region contributes approximately \$1.85 billion per annum to the economy through mining, processing and manufacturing operations. The region is also home to two of the State's largest coal fired power stations which provide a significant portion of Western Australia's power needs.

The new PearlStreet office, located in the heart of Bunbury, was opened for business late last year. PearlStreet has secured two former Connell Wagner employees: Peter Coldwell, to coordinate and manage the branch operations, and Clive Pattison as Senior Condition Monitoring Technician.

PearlStreet General Manager, Asset Management and Engineering, Wayne Martyn, believes Mr Coldwell's 14 years of experience in reliability engineering, combined with his local industry knowledge, will drive several business development opportunities to expand the Company in the region.

"Synergies achieved through opening a regional office for PearlStreet's south-west operations will provide the critical mass and expertise required to expand our valued relationships with some of the State's largest industrial players," he said.

"In particular, the roll-out of the PearlStreet ETRS division throughout the south-west will strengthen our capacity to service and support our well established asset management projects such as the Collie Coal Basin Infrastructure (CBCI) Operations and Maintenance Project at the 1040 MW Muja Power Station."

The CBCI Project at Muja Power Station is one of PES's largest asset management ventures, with PES responsible for the operations, maintenance and overall asset management of the Power Station's coal and biomass handling infrastructure over the last eight years.

In addition to PES's existing team of 35 full-time staff based at Muja Power Station, three PearlStreet non destructive testing and condition monitoring technicians will work from the new regional headquarters.

Mr Martyn believes that high demand for skilled technical resources will continue given the significant concentration of medium and large scale industrial operations in the region and the associated current expansion of these operations and development of new green field industrial projects.

"We highly value our relationship with the energy industry throughout WA's south west, and this office highlights our commitment and desire to work even more closely with local plant owners and operators," he said.

Employee Focus

Based at PearlStreet ETRS's Newcastle office since joining the company in February 2006, 22 year old materials engineer consultant Andrew Gillen has quickly adapted to working under pressure.

The most rewarding aspect of consultancy, Andrew says, has been the opportunity to liaise with clients and build strong relationships to deliver projects on time and below budget. The biggest challenge has been the transition from the broad field of materials engineering into specialised consultancy across a variety of projects for a number of clients.

Those projects have included the opportunity for Andrew to work alongside one of the Company's most senior and experienced engineers, Patrick Cusack, to install a sophisticated monitoring and data logging system on the Swansea Bridge, south of Newcastle.

Born in Sutherland and raised in Gympie, both in New South Wales, Andrew says his interest in mining and minerals processing, combined with his passion for both hands-on and theoretical



PearlStreet ETRS Materials Engineer
Consultant, Andrew Gillen

work, inspired his materials engineering Honours degree at Wollongong University.

Awarded the BlueScope Steel - Best Materials Engineering Graduate in 2005 and twice achieving the highest weighted average results for his year at University, Andrew looks forward to advancing his career through the many opportunities that are offered at PearlStreet ETRS.

Away from work, Andrew finds time for surfing, snowboarding and playing the guitar.



PearlStreet

Contact Us

Level 3, 190 St Georges Terrace Perth WA 6000

Phone: +61 (0) 8 9327 7500

Level 19, 40 City Road Melbourne VIC 3006

Phone: +61 (0) 3 9674 6100

Website: www.pearlstreet.com.au

Email: info@pearlstreet.com.au

Branch Offices across Australia CONTACTS

GM Asset Management & Engineering

Wayne Martyn 0438 755 708

GM Asset Integrity

Eric Kreutzer 0413 945 167