

ASX Announcement | 27 March 2020

Gingin Construction Contract Awarded **& Maddington Operations Update**

KEY POINTS

- Construction contract for the Company's flagship development, the Gingin Landfill Project ("**Gingin**") awarded to SBANG
- Maddington Waste Management Facility ("**Maddington**") received over 21,100 m³ of C&I and 12,300 m³ of C&D since August 2019. At the end of February 2020 Maddington was operating at approximately 400m³/day
- Growth in repeat clients at Maddington
- Successfully diverting over 75% of waste received from landfill and into recycled products
- M8S continues to monitor COVID-19; at this stage there has been minimal impact on operations and the business continues to receive waste daily
- M8S has implemented all necessary processes and procedures on site to deal with COVID-19

M8 Sustainable Limited ("**M8S**" or "**the Company**"), a growing Western Australian waste management business is pleased to provide details of the key terms of the Gingin Landfill construction contract and an operations update on the Company's Maddington Waste Management Facility.

Gingin Construction Contract

M8S is pleased to confirm that after a comprehensive tendering process, the contract to construct the Company's flagship project, the Gingin Landfill, has been awarded to Sbang Corporation Ltd, a wholly owned subsidiary of SBANG Sustainable Energies Ltd (SBANG). SBANG is the Company's largest shareholder with a relevant interest in approximately 35.68% of the Company's issued share capital.

Established in 2005, SBANG specialises in the design, installation and commissioning of complete plant control systems for small biomass and waste-to-energy power plants as well as providing engineering, procurement and construction services and operations and maintenance services. SBANG has multiple operations in South East Asia, including biomass power plants and water to energy plants in Thailand and Laos. SBANG currently employs over 50 people in its EPC (Engineering, Procurement and Construction) division.

The counterparty to the construction contract is Fernview Environmental Pty Ltd (FVE), a wholly owned subsidiary of M8S. FVE is the registered owner of the Gingin site and is also the holder of the various planning, environmental and works approvals for the site.

The tender process involved 3 other bidders in addition to SBANG. The key terms of the contract are summarised as follows:

- parties to the contract – Fernview Environmental Pty Ltd, a wholly owned subsidiary of the Company and Sbang Corporation Ltd a, a wholly owned subsidiary of SBANG

- contract value – fixed price of A\$9.6M
- contract term – turn-key 9 month delivery term from the date of the contract
- anticipated completion date of contract – third quarter of FY21
- services provided under the contract – construction of a landfill facility and associated works at FVE’s land at Lot 98 Wannamal Road South Cullalla, Gingin WA
- Source of funds/payment terms of the contract – funds raised by the initial public offering will be utilised to fund the contract; payment terms – upfront payment of A\$2.5M, followed by progress payment of A\$2.1M on completion of earthworks and A\$5M final payment due 14 to 28 days after practical completion. At the discretion of FVE, the final payment may be converted to a 6 month loan at an interest rate of 10%pa
- other material conditions of the contract – FVE has the right to suspend the contract following the earthworks for a period of up to 18 months and/or terminate the contract at any time and for any reason including termination during the suspension period
- significance of the contract – completion of the Gingin landfill facility will provide M8S with the opportunity to generate additional revenue through a gate fee charged to third parties.

The introduction of various COVID-19 control measures by the Australian and State Governments is likely to impact the completion of the Gingin construction, which is now expected in the third quarter of FY21, compared to original forecasts of the first quarter FY21.

Maddington Operations Update

Maddington is a specialist waste and recycling facility that is focused on the processing of Commercial & Industrial (C&I) and Construction & Demolition (C&D) waste and the production of high-quality recycled products for sale, which includes recycled road base, aggregates and clean fill material. The facility has an approved annual licence capacity of 500,000tpa.

Maddington was recommissioned in July 2019 and opened to the public in August 2019. Since re-opening the facility, M8S continues to ramp-up operations and has experienced growth in its customer base, waste volumes processed and the sale of recycled products:

- **Customer Base** – The site has serviced 115 individual customers since August 2019, with 72 repeat customers, of which 32 are account customers. Customers utilising the site include major waste management companies, civil contractors, skip bin operators, demolition contractors, residential & commercial builders.
- **Waste Volumes** – Over 12,300m³ of C&D and 21,100m³ of C&I waste has been received since August 2019. Average daily waste volumes have increased from 80m³/day in August 2019 to approximately 400m³/day in February 2020. A strategy has been recently implemented to focus on the quality of the waste accepted rather than volumes to reduce the amount being directed to landfill and thereby improve profitability. Given the change in strategy and the current COVID-19 virus crisis, there is no certainty that volumes will be maintained.
- **Sale of Recycled Products** - Sold over 28,000 tonnes of recycled civil products and 274 tonnes of steel since August 2019. Successfully diverting over 75% of waste received from landfill and into recycled products.
- **Marketing Campaign** - M8S has undertaken a marketing campaign to raise awareness of the Maddington operation and drive customer growth. Results to date have been encouraging.

Non-recyclable material generated from the Maddington facility will be sent to the Gingin Landfill Facility, once it is constructed and fully commissioned.

The impact of COVID-19 on operations to-date has been minimal, with M8S continuing to receive waste daily. However, the Company continues to monitor the situation, with the growing restrictions imposed by the government likely to impact waste levels received.

M8S Managing Director Tom Rudas said: *“The finalisation of construction contract at Gingin is a key milestone for M8S. The tender process was very competitive. SBANG has the knowledge base and experience required when it comes to managing complex construction projects. We look forward to working closely with SBANG and progressing the development of Gingin.*

“We are still in the early stages of our Maddington Facility ramp-up. We have seen encouraging results from our marketing campaign and continue ongoing discussions with a variety of small to large businesses that require access to a tier-one waste recycling facility like Maddington.

“The Company is making steady progress toward our primary goal of establishing M8S as a significant waste management operation.

There has been minimal impact to operations from Covid-19 to date and we continue to receive waste on a daily basis, however, we are carefully monitoring the situation. We have implemented the necessary processes on site with our primary focus being the health and safety of our employees, contractors and customer during these unprecedented times.”

M8S has also taken the prudent approach to implement cost effective strategies, in anticipation of a possible down-the turn in construction industry activity due to COVID-19. These measures include a 25% salary reduction for an initial 2-month period for the Board, management and administrative staff.

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ABOUT M8 SUSTAINABLE

M8 Sustainable is a key player in the fast-growing WA waste management sector, with a strategic focus on the downstream sectors of processing and disposal.

M8 operates a metropolitan construction and demolition waste processing facility in Maddington – while its key growth asset is a major new bioreactor landfill facility at Gingin in Perth’s north, currently under construction.

The Company's integrated business model generates revenue from waste processing and the recovery and sale of waste-derived products, while an opportunity exists for the Gingin facility to host a waste-to-energy facility.