M8 Sustainable Limited
(formerly Starworks Enterprises Pty Ltd)
ACN 620 758 358
and its Controlled Entity

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

CORPORATE DIRECTORY

Directors

Tomasz Rudas	(Appointed on 15 August 2017)
Damien Flugge	(Appointed on 15 August 2017)
Saithsiri Saksitthisereekul	(Appointed on 24 October 2018)
Charles Mackinnon	(Appointed on 15 August 2017, Resigned on 3 July 2018)

Company Secretary
John Colli

Registered Office
4C Consulting Pty Ltd
Unit 5, 145 Walcott Street
Mount Lawley WA 6050

Principal Place of Business
Unit 1, 48 Kelvin Road,
Maddington WA 6109

Auditors
Ernst & Young
Ernst & Young Building,
11 Mounts Bay Road
Perth WA 6000

CONTENTS

The Directors present the consolidated financial report for M8 Sustainable Limited (formally Starworks Enterprises Pty Ltd) (the Company) and its controlled entity (the Group) for the year ended 30 June 2019.

DIRECTORS

The names of the Directors that held office during or since the end of the financial year are detailed below:

Tomasz Jacek Rudas
Saithsiri Saksitthisereekul
Damien Craig Flugge
Charles William Mackinnon

The qualifications and experience of the Directors are as follows:

Tomasz Jacek Rudas BSc(Hons), MBA (Appointed on 15 August 2017)
Managing Director

Mr Rudas has over 20 years of professional experience in the waste management industry during which he has gained extensive experience in many facets of waste management operations and business activities. His experience gained from working in the private sector for both small and large waste management organizations, as well as the local government in Perth, has given Mr Rudas a unique perspective of the commercial dynamics and opportunities in the waste management market.

He was also the founder and managing director of a public waste technology company AnaeCo Limited which under his leadership raised over $100M in equity and infrastructure funding and was successfully listed on the ASX in 2007.

Mr Rudas was the Winner of the 2009 Ernst & Young Entrepreneur of the Year – Western Division in the Cleantech Category. Mr Rudas' comprehensive professional profile is available on the Linkedln website.

Damien Craig Flugge (Appointed on 15 August 2017)
Executive Director/ Business Development Manager

Mr Flugge was a founder of Starworks Enterprises Pty Ltd with over 20 years' experience in management and operational roles. He has extensive and diverse business and operational background from involvement in the family farming operations, to development, management and ownership of various hospitality ventures in Australia and overseas.

Siathsiri Saksitthisereekul MBA (Appointed 24 October 2018)
Non- Executive Director

Mr Saksitthisereekul holds an Executive Master of Business Administration from the National Institute of Development Administration (NIDA) and with 11 years in the renewable energy sector is the CEO of SBANG Sustainable Energies Limited. SBANG is an integrated renewable energy company based in Thailand, its core business is to build, own and or operate waste-to-energy and biomass power plants in Thailand

Charles William Mackinnon (Appointed on 15 August 2017)
Non- Executive Director (Resigned on 3 July 2018)

Mr. Mackinnon started his career as a practising accountant before moving into investment banking. He has extensive senior management and board level experience in a range of industries including chairing government reviews and operating bodies. He is currently a Director of Lothbury Advisory Services which focuses on mergers and acquisitions as well as capital and debt raising.

COMPANY SECRETARY

Mr. John Colli was appointed to the position of Company Secretary on 10 December 2018. Mr Colli has over 30 years' experience in secretarial activities of ASX listed companies including being the former company secretary of Coventry Group Ltd (ASX: CYG) for 17 years and the former ASX listed company Challenge Bank Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Group, during the financial year, was the provision of operations and maintenance services to the Brockwaste recycling facility which is owned by Star Shenton Energy Pty Ltd (SSE). The Group continued to remediate the waste recycling facility in Maddington WA (Maddington Facility) in preparation for re-opening on 1 July 2019. The Company earned some revenue from its Maddington Facility during the year ended 30 June 2019 following its partial opening of its facility which occurred in March 2019.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Operations

For the financial year ended 30 June 2019, the Group incurred a loss after tax from continuing operations of $7,230,316.

The Company's Maddington Facility is licensed by the Western Australian Department of Water and Environmental Regulation pursuant to the Environmental Protection Act 1986 to allow up to 500,000 tonnes of waste to be processed annually.

During the financial year the Company's focus was on undertaking significant remediation of the Maddington Facility in preparation for re-opening on 1 July 2019.

Corporate

Company name and status

On 6 December 2018 the Company changed its name from Starworks Enterprises Pty Ltd to M8 Sustainable Ltd and amended its status from a proprietary company to that of a public company. This also required the adoption of a new Constitution which was approved at a General Meeting of shareholders.

IPO Mandate

On 10 August 2018 the Company executed a mandate with Patersons Corporate Finance to act as a Lead Manager for an Initial Public Offering ("IPO").

Issue of Director Shares

On 3 May 2019, the Company issued 500,000 ordinary shares to Lothbury Advisory Pty Ltd to settle an obligation to Charles McKinnon associated with his services as Company Director.

Issue of Related Party Shares

On 3 May 2019, the Company issued 8,351,526 ordinary shares to Flugge Superannuation Fund, with a total value of $1,302,838 in partial settlement of the Company's obligation associated with the business combination.

Issue of Promoter Shares

During the period 3 May 2019 to 30 June 2019 the Company issued a total of 6,682,530 fully paid ordinary shares for nil consideration to promoters of the Company.

SBANG loan facilities

The Company has continued to rely on funds from its largest shareholder, SBANG, a Thailand based waste-to-energy developer. SBANG has lent $18,251,000 as at 30 June 2019 to the business, most of which has been deployed to secure key assets for the Company as well as providing working capital.

On 15 July 2018 SBANG provided the Company with a loan facility of $4,000,000. The loan accrues interest at 10% per annum.

On 15 November 2018 SBANG provided the Company with a convertible note facility totaling $6,000,000. The notes accrue interest at 10% per annum. The conversion of the principal to shares shall occur upon the Company's successful IPO.

The SBANG debt is secured against the Group's property, plant and equipment.

Gingin development

The Company does not have any contractual commitments associated with the development of the landfill facility at its Gingin property, which is owned by the Group. However commencement of substantial development is required to occur by 20 January 2020, in accordance with existing development approvals.

There were no other significant changes in the nature of the Group's business activities during the financial period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

All significant changes in the state of affairs of the Group during the financial year are discussed as detailed above under corporate and below under events arising since the end of the reporting period.

DIVIDEND PAID OR RECOMMENDED

During the financial year, the Group did not declare or pay any dividends.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

With the exception of the transactions noted below, no material transactions have occurred since 30 June 2019 and the date of the approval of the financial statements which the Directors consider require disclosure.

Operations

The Company re-opened its facility in Maddington on 1 July 2019.

SBANG loan facilities

On 10 July 2019 the Company issued 51,282,051 fully paid ordinary shares at $ 0.156 per share representing partial repayment of $8,000,000 of the loan facility with SBANG.

On 3 September 2019 SBANG provided the Company with a new loan facility of $4,000,000 to be available once the Company is admitted to the Official List of ASX. The loan will accrue interest at 10% per annum.

Upon the successful IPO, SBANG has agreed to convert the outstanding balance of the SBANG loan of $6,000,000 plus a further $1,600,000 of the outstanding convertible note into 48,717,949 shares upon the Company's admission to the Official List of ASX. The modification of the terms of the SBANG convertible note will result in a loss to the Group estimated to be $771,282, being the value of the incremental number of Shares to be issued on settlement of the convertible note valued at 20 cents per Share. The conversion of the SBANG loan will result in a loss of $1,692,308 to the Group, being the difference between the estimated fair value of the Shares to be issued at 20 cents per Share and the carrying value of the loan.

Under variation deeds dated 26 September and 25 October 2019, the remaining balance of SBANG debt will be repaid in cash upon the completion of the Company's IPO in October or November 2019

Issue of Promoter Shares

During the period 10 July 2019 to 24 October 2019 the Company issued a total of 17,965,945 fully paid ordinary shares for nil consideration to promoters of the Company, which included 7,115,038 shares issued to SBANG.

Transfer of shares to Star Universal Network Public Company Limited

On 20 September 2019, SBANG transferred 23,900,000 shares to Star Universal Network Public Company Limited. This represents 28.8% of the total issued capital at that date. SBANG continued to hold 41.6% of the total issued capital of the Company.

Termination of Bonus Incentives

Certain bonus incentive clauses in contracts with employees were terminated on 4 and 13 September 2019. The impact of these is disclosed at note 26.

Termination of Directors' Indemnity

On 5 September 2019 the Company terminated the directors' indemnity agreement relating to unpaid superannuation guarantee penalties as disclosed in note 16(vi).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company is in the process of raising further capital through an IPO to complete the Gingin Facility construction.

ENVIRONMENTAL REGULATIONS

The Group's operations are subject to environmental regulations under Western Australian law. The Group has procedures in place to ensure regulations are adhered to. As at the date of this report the Group is not aware of any breaches in relation to environmental matters.

PROCEEDINGS ON BEHALF OF COMPANY

No legal proceedings have been brought against the Group as at the date of this report.

DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's board of directors and sub- committees held during the financial year ended 30 June 2019 and the number of meetings attended by each director.

Board Member	**Board Meetings**	
	Entitled to Attend	**Attended**
Tomasz Rudas	7	7
Saithsiri Saksitthisereekul	4	4
Damien Flugge	7	7
Charles Mackinnon	-	-

SHARES OPTIONS

For the financial year and as at the date of this report, there were no unissued shares of the Company under options.

INSURANCE OF OFFICERS

For the financial year the Company did not have any contracts in place insuring the directors and officers of the Company against liabilities incurred in those capacities.

AUDITOR'S INDEMNIFICATION

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence Declaration as required under section 307C of the Corporations Act 2001 is included on page 11 of this financial report.

Signed in accordance with a resolution of the Directors.

Tomasz Rudas
Director

Dated this 28th day of October 2019

Perth
Western Australia

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. In the Directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position of the Group as at 30 June 2019 and performance of the Group for the financial year ended 30 June 2019;

2. In the Directors' opinion subject to the matters set out in Note 2(a)(ii), there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

3. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a)(i).

This declaration is made in accordance with a resolution of the Directors.

Tomasz Rudas
Director

Dated this 28th day of October 2019

Perth
Western Australia

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Independent Auditor's Report to the Members of M8 Sustainable Limited (formerly Starworks Enterprises Pty Ltd)

Opinion

We have audited the financial report of M8 Sustainable Limited (the Company) and its subsidiary (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(a)(ii) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Building a better working world

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Robert A Kirkby
Partner
Perth, Western Australia
28 October 2019

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Auditor's Independence Declaration to the Directors of M8 Sustainable Limited (formerly Starworks Enterprises Pty Ltd)

As lead auditor for the audit of the financial report of M8 Sustainable Limited (formerly Starworks Enterprises Pty Ltd) for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of M8 Sustainable Limited and the entities it controlled during the financial year.

Ernst & Young

Robert A Kirkby
Partner
28 October 2019

RK:AJ:M8:027

M8 SUSTAINABLE LIMITED (FORMERLY STARWORKS ENTERPRISES PTY LTD) AND ITS CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Year ended 30 June 2019 $	Period 28 July 2017 (date of incorporation) to 30 June 2018 $
Revenue from contracts with customers	3	683,466	1,804,577
Bargain purchase gain on business combination	20	-	1,863,312
Other income	4	397,500	9,962
Total income		**1,080,966**	**3,677,851**
Employee benefits, salaries and wages		(2,000,153)	(2,573,252)
Rent expense		(1,240,913)	(540,080)
Depreciation of property, plant and equipment	9	(535,943)	(109,015)
Finance costs		(1,569,376)	(668,486)
Bad debts written off	8	-	(281,213)
Insurance costs		(70,335)	(132,247)
Professional fees		(304,409)	(261,160)
Acquisition transaction costs		-	(520,666)
Maddington Facility repairs and maintenance		(259,040)	-
Loss on settlement of loan	12	(707,442)	-
Share based payments	26	(1,230,717)	(233,751)
Other expenses		(407,440)	(189,289)
Loss before income tax		**(7,244,802)**	**(1,831,308)**
Income tax benefit	6	14,486	52,110
Loss after tax		**(7,230,316)**	**(1,779,198)**
Other comprehensive income:		-	-
Total comprehensive loss for the period attributable to the equity holders of the Group		**(7,230,316)**	**(1,779,198)**

Earnings per share:

	Notes		
• Basic loss per share attributable to ordinary equity holders of the parent (dollars per share)	5	(2.93)	(14,234)
• Diluted loss per share attributable to ordinary equity holders of the parent (dollars per share)	5	(2.93)	(14,234)

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.

M8 SUSTAINABLE LIMITED
(FORMERLY STARWORKS ENTERPRISES PTY LTD)
AND ITS CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	30 June 2019 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents	7	41,007	72,571
Trade and other receivables	8	1,737,320	-
Prepayments		201,883	55,849
Total Current Assets		**1,980,210**	**128,420**
NON-CURRENT ASSETS			
Property, plant and equipment	9	15,616,375	14,556,185
Total Non-current Assets		**15,616,375**	**14,556,185**
TOTAL ASSETS		**17,596,585**	**14,684,605**
CURRENT LIABILITIES			
Trade and other payables	10	1,579,636	1,161,749
Provisions	11	1,015,935	615,376
Borrowings	12	20,550,167	13,690,556
Total Current Liabilities		**23,145,738**	**15,467,681**
NON-CURRENT LIABILITIES			
Provisions	11	-	74,918
Borrowings	12	20,089	-
Deferred tax liabilities	6	672,841	687,328
Total Non-current Liabilities		**692,930**	**762,246**
TOTAL LIABILITIES		**23,838,668**	**16,229,927**
NET LIABILITIES		**(6,242,083)**	**(1,545,322)**
SHAREHOLDERS' DEFICIT			
Issued capital	13	2,345,438	125
Shared based payment reserve	26	421,993	233,751
Accumulated losses		(9,009,514)	(1,779,198)
TOTAL SHAREHOLDERS' DEFICIT		**(6,242,083)**	**(1,545,322)**

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital	Share based payment reserve	Accumulated losses	Total equity
	$	$	$	
Period from 28 July 2017 (date of incorporation) to 30 June 2018				
Loss after tax	-	-	(1,779,198)	(1,779,198)
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(1,779,198)**	**(1,779,198)**
Share based payments	-	233,751	-	233,751
Shares issued	125	-	-	125
	125	**233,751**	**-**	**233,876**
Balance as at 30 June 2018	**125**	**233,751**	**(1,779,198)**	**(1,545,322)**
Year ended 30 June 2019				
Balance as at 1 July 2018	**125**	**233,751**	**(1,779,198)**	**(1,545,322)**
Loss after tax	-	-	(7,230,316)	(7,230,316)
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(7,230,316)**	**(7,230,316)**
Share based payments – Bonus Incentive	-	188,242	-	188,242
Loan Settlement	1,302,838		-	1,302,838
Share based payment – Promoter Shares	1,042,475	-		1,042,475
	2,345,313	**188,242**	**-**	**2,533,555**
Balance as at 30 June 2019	**2,345,438**	**421,993**	**(9,009,514)**	**(6,242,083)**

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.

M8 SUSTAINABLE LIMITED (FORMERLY STARWORKS ENTERPRISES PTY LTD) AND ITS CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Year ended 30 June 2019 $	Period 28 July 2017 (date of incorporation) to 30 June 2018 $
Cash flows from operating activities			
Loss after income tax		(7,230,316)	(1,779,198)
Adjustment for:			
Non-cash items:			
Depreciation of property, plant and equipment		535,943	109,015
Loss on disposal of property, plant and equipment		8,625	8,497
Interest expense	12	1,672,971	668,487
Non-cash director benefits	12	-	150,000
Bad debts written off		-	233,344
Share based payment expense	15, 26	1,230,717	233,751
Bargain purchase gain on business combination	20	-	(1,863,312)
Trade receivable settled against loan payable	12	(655,913)	(1,689,603)
Loss on settlement of loan		707,442	-
Changes in assets and liabilities:			
Increase in prepayments		(146,035)	(42,150)
Increase in receivables and other receivables		(4,082)	-
Increase in trade payable and other payables		417,887	960,983
Increase/ (decrease) in provisions		325,641	690,294
Increase/ (decrease) in deferred tax liabilities		(14,487)	(52,110)
Net cash used in operating activities		**(3,151,607)**	**(2,372,002)**
Cash flows from investing activities			
Net cash paid for business combination	20	-	(1,177,460)
Advances to Fernview prior to gaining control of the entity		-	(6,442,273)
Proceeds from repayment of non-cash advance		-	615,624
Purchase of property, plant and equipment		(1,679,757)	(312,789)
Proceeds from sale of fixed assets		75,000	24,292
Net cash used in investing activities		**(1,604,757)**	**(7,292,606)**
Cash flows from financing activities			
Proceeds from issue of shares	13	-	125
Proceeds from term loans	12	113,636	1,022,107
Proceeds from related company loan	12	561,137	4,979,762
Proceeds from SBANG Sustainable Energies Ltd loan	12	8,940,000	8,655,000
Repayment of term loans	12	(1,012,130)	(151,555)
Repayment of amount due to related company	12	(1,156,325)	(4,178,479)
Repayment of SBANG Sustainable Energies Ltd loan	12	(2,474,000)	(500,000)
Repayment of shareholder loan	12	(100,000)	-
Interest paid		(147,518)	(89,781)
Net cash generated from financing activities		**4,724,800**	**9,737,179**
Net increase/ (decrease) in cash and cash equivalents		(31,564)	72,571
Cash and cash equivalents at the beginning of the period		**72,571**	**-**
Cash and cash equivalents at the end of the financial period	7	**41,007**	**72,571**

The accompanying notes form part of and should be read in conjunction with these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 1. General Information

This financial report, which covers the consolidated financial statements of M8 Sustainable Limited (the "Company" or the "Parent") and its subsidiary (collectively the "Group"), was authorised for issue in accordance with a resolution of the Directors on 28 October 2019.

M8 Sustainable Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is 4C Consulting Pty Ltd, Unit 5, 145 Walcott Street, Mount Lawley WA 6050 and principal place of business is Unit 1, 48 Kelvin Road, Maddington WA 6109.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The Company was incorporated on 28 July 2017. Accordingly, the comparative period is for the period 28 July 2017 to 30 June 2018.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies

a) Basis of preparation

(i) Compliance statement

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with the Corporations *Act 2001,* Australian Accounting Standards and Interpretations of the Australian Accounting Standard Board and in compliance with International Financial Standards ("IFRS"). The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards. Material accounting policies adopted in the preparations of the financial statements are presented below.

The consolidated financial statements have been prepared on a historical cost basis.

The accounting policies adopted by the Group are consistent with the prior year except for the impact of adopting new and amended Accounting Standards and Interpretations which were effective from 1 July 2018.

The Group has not elected to early adopt any new or amended accounting standard or interpretation that has been issued but is not yet effective.

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* (AASB 15) and AASB 9 *Financial Instruments* (AASB 9) and the consequential amendments to other Accounting Standards. In accordance with elections available under these new accounting standards (see below for further details), the new accounting policies are effective from 1 July 2018 and comparative information continues to be prepared in line with the accounting policies as disclosed in the 30 June 2018 financial report.

Other revised Standards and Interpretations which apply from 1 July 2018 did not have any material effect on the financial position or performance of the Group and have therefore not been disclosed.

AASB 15

The Group adopted AASB 15 using the modified retrospective method of adoption with the date of initial application being 1 July 2018.

AASB 15 supersedes AASB 118 Revenue and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with its customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to the customer.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

a) Basis of preparation (continued)

Compliance statement (continued)

Adopting AASB 15 did not have a material impact on the amount and timing of revenue recognition and had no impact at the date of initial application.

AASB 9

The Group applied AASB 9 retrospectively with the initial application date being 1 July 2018. The Group elected not to restate comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139).

AASB 9 replaces parts of AASB 139 and brings together three aspects of accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

AASB 9 introduced new classification and measurement models for financial assets. A financial asset is measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and are solely payments of principal and interest (SPPI). All other financial instrument assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for trading) in other comprehensive income.

Impairment requirements use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment is measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

The change in classification of certain financial assets on adoption of AASB 9 did not result in any measurement adjustments as at 1 July 2018. In addition, no adjustment was required for any additional loss allowance under AASB 9's ECL model.

(ii) Going Concern

The consolidated financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

For the financial period ended 30 June 2019, the Group incurred a loss after tax from continuing operations of $7,230,316 and net operating cash outflow of $3,151,607. As at 30 June 2019, the Group had net current liabilities of $21,165,528 and a shareholders' deficit of $6,242,083.

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cash flows through its business operations, and its ability to raise further equity or debt financing. The Directors continue to be focused on meeting the Group's business objectives and are mindful of the funding requirements to meet these objectives. The Directors consider the basis of going concern to be appropriate for the following reasons:

- $8,000,000 of the outstanding debt to SBANG was converted to ordinary shares on 10 July 2019 which has reduced the Group's debt and net current liability position.
- SBANG continues to support the Group meet its funding requirements. SBANG provided a new $4,000,000 loan facility on 3 September 2019. The loan will be interest bearing at 10% p.a. and has a two year term. Any drawdowns on the loan will be subject to shareholder approval. This new loan facility is undrawn at the date of this report and is available once the Company is admitted to the Official List of ASX.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

a) Basis of preparation (continued)

Going Concern (continued)

- The Company is planning to undertake an Initial Public Offer ("IPO") in October or November 2019 to raise $19,500,000.
- Upon the successful IPO, SBANG has agreed to convert the outstanding balance of the SBANG loan of $6,000,000 plus a further $1,600,000 of the outstanding convertible note into 48,717,949 Shares upon the Company's admission to the Official List of ASX.
- As at 30 June 2019, the Company had $1,749,000 remaining to draw on its convertible note facility. This amount was fully drawn down subsequent to 30 June 2019 and up to the date of this report.
- The outstanding SBANG existing borrowings of $4,400,000 representing the balance of the convertible notes (excluding any amount due under the loan facility provided on 3 September 2019), and accrued interest (including $1,789,778 accrued at 30 June 2019) is required to be repaid using the proceeds of the IPO upon completion of the IPO.
- The Company re-opened its facility in Maddington on 1 July 2019. The Company has been scaling up operations at the Maddington Facility with the objective of full operational capacity over the next 3-6 months as it continues to market its services to the waste management sector.

The ability of the Group to undertake its planned development of the Gingin Facility and to meet its working capital requirements so as to settle its liabilities as and when they fall due is dependent upon its ability to raise sufficient capital from the planned IPO, and the appropriate operating performance of the Maddington Facility. The Directors of the Company believe that the funds raised from the IPO, together with the appropriate operating performance of the Maddington Facility, will be sufficient to allow for the planned development of the Gingin Facility and to provide the necessary working capital beyond the next 12 months.

Should the IPO not proceed, the Group will utilise existing funds and available debt facilities to support the ongoing funding requirements of the business until it is able to restructure its funding and raise additional funds. Under this scenario, the Group will curtail its future expansion plans and tailor the business to meet ongoing trading requirements. The Directors have several strategies to employ to achieve this outcome including delaying the development of the Gingin Facility until sufficient new funding is raised from continuing operations or other external sources. The Directors believe that this alternative strategy is achievable and are therefore satisfied there are reasonable grounds to conclude the Company and Group can continue as a going concern.

Should the Group not achieve the matters set out above, there is a material uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company and Group not continue as a going concern.

(iii) New and amended accounting standards and interpretations issued but not yet effective

A number of new and amended accounting standards and interpretations issued but not yet effective have not been applied in preparing these consolidated financial statements. Those which may be relevant and significant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16: *Leases (AASB16)* - applicable to the annual reporting period commencing on 1 July 2019.

> When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

a) Basis of preparation (continued)

New and amended accounting standards and interpretations issued but not yet effective (Continued)

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The Group will adopt AASB 16 using the modified retrospective method, recognising right of use assets equivalent to the lease liability at transition. The Group will elect to use the exemptions allowed for lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The timing of recognition of costs will be brought forward as a result of higher interest expense in the earlier years of the leases.

Based on the current assessment, right of use assets and lease liabilities with a value of between $7,400,000 - $7,700,000 will be recognised at 1 July 2019. As a result of the timing of recognition of interest and depreciation compared to the lease payments, an additional expense estimated to be approximately $200,000 - $300,000 will be recognised for the year ended 30 June 2020.

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiary as at 30 June each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the controlled entity and has the ability to affect those returns through its power over the investee. The Company's controlled entity has a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of controlled entity have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

c) Business Combinations

The Group applies the acquisition method in accounting for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree. Acquisition costs are expensed as incurred.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any.

d) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of the Company and its subsidiary is Australian dollars (A$).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the reporting date.

All exchange differences are taken to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

e) Revenue from contracts with customers

The Group generates revenue from operating its waste recycling facility in Maddington, Western Australia. The Group also has a contract for the provision of operational and maintenance services to a related party.

Revenue policy applied prior to 1 July 2018 (prior to the adoption of AASB 15)

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.
Revenue from the rendering of a service is recognised over time as the services are performed.

Revenue policy applied from 1 July 2018 (following the adoption of AASB 15)

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at the amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The group has concluded that it is the principal in its revenue arrangements, because it controls the goods and services before transferring them to the customer.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

e) Revenue from contracts with customers (continued)

Operational and maintenance services

The Group's contract for rendering of operation and maintenance services to a related party involve various activities. These activities tend to be substantially the same with the same pattern of transfer to the customer. These services are taken to be one performance obligation satisfied over the contract period.

The performance obligation is fulfilled over time as services are consumed as provided. Customers are typically invoiced monthly for a fixed management fee plus a service charge calculated as 10% of operational costs. For these contracts, the transaction price is considered to be variable consideration.

Variable consideration

If the consideration in the contract includes a variable amount, the Group estimates the amount of the consideration to which it is entitled in exchange for transferring the goods and services to the customer. The variable consideration is estimated and constrained until it is highly probable that a significant reversal of the cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group applies the variable consideration allocation exception to allocate variable consideration to distinct services in the services contract.

Maddington facility gate fee revenue

The Group collects gate fees from customers when the waste is received at its Maddington facility. The Group recognises revenue at the point in time when the waste is received and accepted.

f) Interest income

Interest revenue is recognised as interest accrues using the effective interest method.

g) Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in profit and loss on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

h) Employee benefits

Wages, salaries and other short-term benefits

Liabilities for wages and salaries, including non-monetary benefits, accumulating sick leave and other short-term benefits expected to be settled wholly within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Superannuation

Contributions made by the Consolidated Entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

The Group implemented a tax consolidation on 13 April 2018.

The parent company and subsidiary continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand, deposits held at call with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents are as described above.

k) Trade and other receivables

Trade and other receivables policy applied prior to 1 July 2018 (prior to the adoption of AASB 9)

Trade receivables are initially recognised at original invoice amount. Other receivables are initially measured at fair value. Subsequent to initial recognition trade and other receivables are carried at amortised cost less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade and other receivables policy applied after 1 July 2018 (after the adoption of AASB 9)

Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the revenue policy. Other receivables are initially measured at its fair value plus, in the case of receivables not at fair value through profit or loss, transaction costs.

Receivables at amortised cost
The Group measures receivables at amortised cost where the objective is to hold the financial asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
Receivables at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the receivable is derecognised, modified or impaired.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

k) Trade and other receivables (Continued)

Impairment

The Group recognises an allowance for ECLs for trade receivables and other receivable not held at fair value through profit or loss. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses and recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

The Group considers a receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

l) Property, plant and equipment

Property, plant and equipment is stated at cost less any accumulated depreciation and impairment. In the event the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during financial period in which they are incurred.

Depreciation

The depreciable amount of fixed assets is depreciated on a straight-line (SL) basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of the lease term, and the useful life of the asset. The following depreciation rates were applied during the financial period:

• Mobile plant	20% SL
• Fixed plant	6% SL
• Office equipment	25% SL
• Motor vehicles	25% SL

The residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

m) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the quarter which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables and other payables are carried at amortized cost and due to their short-term nature, they are not discounted.

n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs.

o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of the time to prepare for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Capitalisation of borrowing costs is suspended during periods where there is no active development of a qualifying asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

q) Contributed equity

Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Distributions on ordinary shares are recognised as a liability in the period in which they are declared.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

r) Share-based payments

Equity settled transactions

Where employees are granted share-based payments, the cost of equity-settled transactions is determined at the grant date. Where the fair value of the equity instruments granted cannot be reliably estimated, the Group measures the equity instruments at their intrinsic value, initially at the grant date and subsequently at the end of each reporting period and at the date of final settlement, with any change in intrinsic value recognised in profit and loss.

The amount recognised as an expense during the vesting period is based on the number of equity instruments expected to vest. The Group revises that estimate is subsequent information indicates that the number of rights expected to vest differs from the previous estimate. On vesting date, the Group revises the estimate to the number of rights that ultimately vest. After the vesting date, the Group reverses the amount recognised if the rights are subsequently forfeited, or lapse.

Cash settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using an appropriate valuation model.

s) Convertible notes

Convertible notes are separated into liability and equity components based on the terms of the contract. On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. Where relevant, the remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (continued)

t) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue from contracts with customers
The Group concluded that revenue for its service contract is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

Useful life of depreciable assets
Management reviews its estimates of the useful lives of depreciable assets at each reporting date, based on the expected useful life of the assets. Uncertainties in estimates include assessing the impact of the Group's operating environment and technical and other forms of obsolescence.

Impairment of non-current assets
In assessing impairment, management estimates the recoverable amount of each assets or cash-generating unit based on expected future cash flows which are discounted using an appropriate discount rate. Estimation uncertainty relates to assumptions about the expected future cash flows from operating results, the determination of a suitable discount rate used for the DCF model and the growth rate used for extrapolation purposes.

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised (see Note 6).

Contingent liability – royalty agreement
The Group has concluded that the royalty agreement (see note 18) with Fernview Development Group Pty Ltd (an unrelated party) represents a contingent liability as any obligation under the contract is dependent upon the future actions of the Group.

	Year ended 30 June 2019 $	Period 28 July 2017 (date of incorporation) to 30 June 2018 $
Note 3 Revenue from contracts with customers		
Operations and maintenance (O&M) service fee	596,285	1,804,577
Gate fee revenue	87,181	-
	683,466	**1,804,577**

Service fee revenue relates to services provided to a related party in the renewable energy industry. Gate fee revenue relates to fees charged upon the acceptance of waste at the Group's Maddington Facility, to third parties in the demolition and waste management industries. The prior year comparatives have not been restated on adoption of AASB 15 (see note 2(a)(i)).

Note 4 Other income

Insurance claims	**397,500**	**9,962**

The Group received insurance proceeds during the period relating to damaged or stolen property at its Maddington Facility.

Note 5 Earnings per share

The following table reflects the data used in the calculation of the basic and diluted earnings / (loss) per share:

	2019 Number	2018 Number
Weighted average number of ordinary shares used in the calculation of basic loss per share	2,468,550	125
Weighted average number of ordinary shares used in the calculation of diluted loss per share	2,468,550	125
	$	$
Loss attributable to ordinary the equity holders of the Company	(7,230,316)	(1,779,198)
	Number	Number
The estimated number of potential ordinary shares on issue but not included in the diluted earnings / (loss) per share as they are anti-dilutive or contingently issuable	37,004,000	11,360,759

Refer note 12 and 26 for ordinary share and potential ordinary share transactions that are contingently issuable.

Refer note 27 for ordinary share transactions that occurred subsequent to the balance sheet date.

Note 6 Income tax

	Year ended 30 June 2019	Period 28 July 2017 (date of incorporation) to 30 June 2018
The components of income tax expense /(benefit) comprise:	**$**	**$**
Current income tax		
Current income tax benefit	-	-
Deferred income tax		
Deferred tax benefit relating to the origination and reversal of temporary differences	14,486	52,110
Income tax benefit reported in the consolidated statement of profit or loss and the other comprehensive income	**14,486**	**52,110**
Relationship between income tax expense/(benefit) and accounting loss:		
Loss before income tax	7,244,802	1,831,308
At the statutory income tax rate of 27.5%	1,992,321	503,610
Loss on settlement of loan	-	-
Non-assessable income	-	512,411
Non-deductible expenses	(481,228)	-
Other adjustments	(124,164)	(95,843)
Deferred tax assets not recognised	(1,372,443)	(868,068)
Income tax benefit reported in the consolidated statement of profit or loss and other comprehensive income	**14,486**	**52,110**
Deferred tax Liabilities		
Property, plant and equipment	658,078	671,716
Other deferred tax liabilities	14,763	15,612
Deferred tax liabilities	**672,841**	**687,328**

Estimated tax losses of $2,007,318 (tax effected) (30 June 2018: $928,075, tax effected), including tax losses transferred with the acquired subsidiary, have not been recognised as an asset as there is uncertainty that the amounts will be available to offset deferred tax liabilities and future taxable income.

Note 7 Cash and cash equivalents

	30 June 2019	30 June 2018
	$	**$**
Cash on hand and at bank	**41,007**	**72,571**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019 $	30 June 2018 $
Note 8	**Trade and other receivables**		
	Trade receivables (i)	4,082	-
	Due from Shenton Energy Pty Ltd (ii)	1,733,238	-
	Total financial assets classified as loans and receivables	**1,737,320**	-

(i) Trade receivables are non-interest bearing and are generally on 30 to 90 days. At the reporting trade debtors were neither past due nor impaired.

Amounts due from Shenton Energy pertain to working capital advances and trade receivables. The advance amounts are non-interest bearing and are payable on demand. The full amount of the receivable has been collected subsequent to year end.

		30 June 2019 $	30 June 2018 $
Note 9	**Property, plant and equipment**		
	Land		
	Gross carrying amount at cost	9,200,000	9,200,000
	Mobile plant		
	Gross carrying amount at cost	842,500	882,500
	less: Accumulated depreciation	(209,428)	(42,928)
		633,072	839,572
	Fixed plant		
	Gross carrying amount at cost	4,498,287	4,482,200
	less: Accumulated depreciation	(331,680)	(60,452)
		4,166,607	4,421,748
	Office equipment		
	Gross carrying amount at cost	25,500	25,500
	less: Accumulated depreciation	(7,757)	(1,381)
		17,743	24,119
	Motor vehicles		
	Gross carrying amount at cost	190,469	75,000
	less: Accumulated depreciation	(41,903)	(4,254)
		148,566	70,746
	Leasehold improvement at cost	1,117,798	-
	less: Accumulated depreciation	(47,814)	-
		1,062,984	-
	Capital work in progress at cost	380,403	-
	Total property, plant and equipment		
	Gross carrying amount at cost	**16,254,957**	**14,665,200**
	less: Accumulated depreciation	(638,582)	(109,015)
	Total carrying amount	**15,616,375**	**14,556,185**

Note 9 Property, plant and equipment (continued)

Reconciliation of net book value:

	Land	Mobile plant	Fixed plant	Office equipment	Motor vehicles	Leasehold improve-ment	Capital work in progress	Total
	$	$	$	$	$	$	$	$
Opening balance as at 28 July 2017	-	-	-	-	-	-	-	-
Acquisition via business combination	9,200,000	797,500	4,362,200	25,500	-	-	-	14,385,200
Purchases	-	85,000	120,000	-	107,789	-	-	312,789
Disposals	-	-	-	-	(32,789)	-	-	(32,789)
Depreciation charge	-	(42,928)	(60,452)	(1,381)	(4,254)	-	-	(109,015)
Net carrying amount as at 30 June 2018	9,200,000	839,572	4,421,748	24,119	70,746	-	-	**14,556,185**
Opening balance as at 1 July 2018	9,200,000	839,572	4,421,748	24,119	70,746	-	-	14,556,185
Purchases	-	-	66,087	-	115,469	1,117,798	380,403	1,679,757
Disposals	-	(34,667)	(48,750)	-	-	-	-	(83,417)
Depreciation charge	-	(171,833)	(272,478)	(6,376)	(37,649)	(47,814)	-	(536,150)
Net carrying amount as at 30 June 2019	9,200,000	633,072	4,166,607	17,743	148,566	1,069,984	380,403	**15,616,375**

All property of the Company and its controlled entity is encumbered to secure borrowings – see note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019	30 June 2018
		$	$
Note 10	**Trade and other payables – current liabilities**		
	Trade payables (i)	631,504	91,522
	Cash settled share based payment – at fair value	132,105	73,203
	Accrued and other payables (ii)	816,027	997,024
	Total trade and other payables	**1,579,636**	**1,161,749**

(i) Trade payables represent the liability for the goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days.

(ii) Other payables include

- $260,926 relating to indemnities provided to Directors in respect of Australian Tax Office penalty notices for unpaid superannuation guarantee payments for companies within the Aurigen Group from which M8 Sustainable Limited acquired both the Maddington Facility and the Fernview entity.

		30 June 2019	30 June 2018
Note 11	**Provisions**		
	Current		
	Employee provisions	1,008,373	615,376
	Restoration obligation	7,562	-
		1,015,935	**615,376**
	Non-Current		
	Restoration obligation	-	**74,918**
	Restoration obligation reconciliation of movement		
	Opening balance at beginning of period	74,918	-
	Balance recognised on acquisition of subsidiary	-	74,918
	Obligation fulfilled	(67,356)	-
	Closing balance	**7,562**	**74,918**

Restoration obligation

A provision has been recognised for the cost of environmental obligations at the Maddington Facility. The obligations were partially fulfilled during the 2019 financial year.

	30 June 2019 $	30 June 2018 $
Note 12 Borrowings		
Term borrowings (i)	44,491	942,986
Amount due to related company (Shenton Energy Pty Ltd)	-	1,333,813
Amount due to related party (ii)	435,124	989,276
SBANG Loan and Convertible Notes (iii)	20,040,641	10,274,481
Loan from shareholder (iv)	50,000	150,000
	20,570,256	**13,690,556**
Less: Current portion	20,550,167	13,690,556
Non-current portion (i)	**20,089**	-

(i) Term borrowings include amounts payable to Pepper Asset Financing Pty Ltd relating to financing for the Company's motor vehicle of $38,724 which is a short-term loan bearing interest of 7.99% and is repayable in monthly instalments by 11 July 2021. The non-current liability component amounts to $20,089.

(ii) Amount due to a related party represents a $435,124 loan payable to Flugge Superannuation Fund (related party of Damien Flugge, Director) which is interest bearing at 10% per annum, secured against all present and after-acquired property and repayable upon demand. The loan is secured against all property disclosed in Note 9. Subsequent to the balance sheet date, the Company has entered into an agreement with the related party to settle this loan by way of the issue of 2,229,709 ordinary shares upon the completion of the Company's IPO.

During the year, on 3 May 2019, the Company issued 8,351,526 fully paid ordinary shares to Flugge Superannuation Fund, with a total value of $1,302,838 in settlement of the Company's obligation to the related party associated with the business combination. The difference between the liability recognised at 30 June 2018 of $595,396 and the fair value of the shares of $1,302,838 was recognised as an expense on settlement of the liability of $707,442.

(iii) SBANG Sustainable Energies Ltd ("SBANG") has provided the Company with two secured loan facilities of $10,000,000 (on 7 February 2018) and $4,000,000 (on 15 July 2018) as well as a convertible note facility of $6,000,000 (on 15 November 2018). The facilities were fully drawn as at 30 June 2019, except $1,749,000 remaining undrawn on the convertible note facility, which is interest bearing at 10% per annum, secured against all present and after-acquired property and repayable on demand.

The full principal amount of the $4,000,000 facility and a further $4,000,000 principal amount of the $10,000,000 facility were converted to 58,397,089 shares on 10 July 2019 at 15.6 cents per share. The remaining $6,000,000 principal outstanding is to be converted to shares and the interest is repayable upon the completion of the Company's IPO under the variation deeds dated 26 September 2019 and 25 October 2019.

The convertible loan facility was drawn to $4,251,000 as at 30 June 2019 and accrues interest at 10% per annum. Under the original terms of the convertible loan, the conversion of the principal to ordinary shares shall occur at a value of $0.25 per share, upon the Company's successful IPO, unless early redeemed by the Company by 15 November 2019. Under the variation deeds dated 26 September 2019 and 25 October 2019, the conversion of $1,600,000 of the principal to ordinary shares will occur upon the Company's successful IPO and the remaining amount will be repaid in cash upon the completion of the Company's IPO.

Total accrued interest at 30 June 2019 was $1,789,641. The debt is secured against all property disclosed in Note 9.

(iv) Loan from shareholder represents amounts payable to Mr. Y. Zhu which is non-interest bearing, unsecured and payable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 12 Borrowings (continued)

	Year ended 30 June 2019	Period 28 July 2017 (date of incorporation) to 30 June 2018
Movement in net borrowings for the period:	$	$
Cash flow items		
Proceeds from term loans	113,636	1,022,107
Proceeds from related company loan	561,137	4,979,762
Proceeds from SBANG Sustainable Energies Ltd loan	8,940,000	8,655,000
Repayment of term loans	(1,012,130)	(151,555)
Repayment of amount due to related company	(1,156,325)	(4,178,479)
Repayment of SBANG Sustainable Energies Ltd loan	(2,474,000)	(500,000)
Repayment of shareholder loan	(100,000)	-
Interest paid	(147,518)	(89,781)
Non cash flow items		
Interest expense accrued	1,672,971	668,487
Non-cash director loan	-	150,000
Non-cash settlement of revenue for services performed	(655,913)	(1,689,603)
Non-cash settlement of related party loan	(595,396)	-
Liabilities arising on business combination	-	4,824,618
Balance as at 30 June	**5,146,462**	**13,690,556**

Note 13 Share capital

	30 June 2019 Number	30 June 2018 Number
(a) Issued and paid up capital		
Issued and fully paid ordinary shares	15,534,181	125

(b) Movement in ordinary shares	Year ended 30 June 2019 $	Period 28 July 2017 (date of incorporation) to 30 June 2018 $
Issued on incorporation	125	125
Issued to promoters during the period	1,042,475	-
Issued to settle loan during the period (note 12)	1,302,838	-
Balance at end of the period	2,345,438	125

	Number	Number
Issued on incorporation	125	125
Issued to promoters during the period	6,682,530	-
Shares issued to settle loan during the period (i) (note 12)	8,351,526	-
Shares issued to settle sharebased payments (note 26)	500,000	-
Balance at end of the period	15,534,181	125

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Company does not have authorised capital and the ordinary shares on issue do not have a par value.

Note 13 Share capital (continued)

(i) Flugge Superannuation Fund received an entitlement of 8,351,526 fully paid ordinary shares with a total value of $1,302,838 in settlement of the Company's obligation to the related party associated with the business combination. The difference between the liability recognised at 30 June 2018 of $595,396 and the fair value of the shares of $1,302,838 was recognised as an expense on settlement of the liability of $707,442. The shares were valued at 15.6 cents based upon their intrinsic value at 30 June 2019. There were no service conditions on the entitlement. The shares were issued on 3 May 2019.

Capital Management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

		Year ended 30 June 2019 $	Period 28 July 2017 (date of incorporation) to 30 June 2018 $
Note 14	**Auditor's remuneration**		
	Amounts received or due and receivable by Ernst & Young Australia, up to the date of this report, for:		
	Audit fees	308,400	49,000
	Due diligence and investigating accountant fees	85,000	-
	Amounts received or due and receivable by Stantons International (previous auditors) for:		
	Audit fees	-	27,500
	Total	**393,400**	**76,500**
Note 15	**Key Management Personnel (KMPs) disclosures**		
	The KMP's at 30 June 2019 and 30 June 2018 are as follows:		
	1. Tomaz Rudas - Director		
	2. Damien Flugge - Director		
	3. Vijay Joshi - Chief Financial Officer		
	4. Charles Mackinnon – Director (2018 only)		
	5. Saithsiri Saksitthisereekul – Director (2019 only)		
	The aggregate KMP compensation is set out below:		
	Short-term employee benefits	1,167,945	1,650,789
	Post-employment benefits	49,505	36,708
	Share based payments – cash settled	231,551	73,203
	Share based payments – equity settled	276,716	233,751
		1,725,717	**1,994,451**

Note 16 Related party transactions

i) Star Shenton Energy Pty Ltd (Damien Flugge is a common Director, Tomasz Rudas and Saithsiri Saksitthisereekul were common Directors up to 31 January 2019 and 25 March 2019 respectively) was invoiced $655,913 for the provision of operations and maintenance services during the year (both amounts are inclusive of GST).

ii) The Group has a receivable from Star Shenton Energy Pty Ltd for an amount of $1,733,238. This amount is non-interest bearing and is payable on demand(see Note 8).

iii) Mr. Y. Zhu, who is a shareholder, was paid $150,000 in November 2017, $50,000 in November 2018 and $50,000 in February 2019 and the Group has an outstanding balance payable of $50,000 as at the balance sheet date. These amounts were payable for the release of mortgages held by Mr. Y Zhu on personal properties of Tomaz Rudas and Damien Flugge (Directors of the Company) to facilitate the Company to obtain a third party loan secured against the Directors' personal properties. These amounts were included as KMP compensation for Tomaz Rudas and Damien Flugge for the period ended 30 June 2018 (see note 15).

iv) Mr. Charles Mackinnon who was a Director of the Company until 3 July 2018 was also the sole Director of Lothbury Advisory to whom the Company paid $111,600 as consultancy fees. For his services, Mr. Mackinnon was issued 500,000 fully paid ordinary shares in the Company on 3 May 2019 which were valued at $78,000. These amounts were included as KMP compensation for the period ended 30 June 2018 (see note 15).

v) As part of the acquisition detailed in note 20, the Company owed an amount of $435,124 to Flugge Superannuation Fund (related party of Damien Flugge, Director) as at 30 June 2019 which is interest bearing at 10% per annum. The loan is secured against all property disclosed in Note 9. The Company has entered into an agreement with the related party to settle this loan by way of the issue of 2,229,709 fully paid ordinary shares in the Company upon the completion of the Company's IPO. A further amount of $595,396 was payable to the same related party. The amount was repayable via the issue of ordinary shares at a price to be determined and arose on the business combination transaction undertaken in 2018. 8,351,526 fully paid ordinary shares were issued on 3 May 2019, with a total value of $1,302,838, in settlement of the Company's obligation. The Company recognized an expense on settlement of the liability of $707,442.

vi) The Company has provided Indemnities to the Directors in respect of Australian Tax Office penalty notices for unpaid superannuation guarantee payments for companies within the group from which M8 Sustainable Limited acquired the Maddington Facility and the Fernview entity. This has resulted in a liability of $492,314 to the Company, including taxes. The indemnity agreement was subsequently terminated on 5 September 2019.

		30 June 2019 $	30 June 2018 $
Note 17	**Parent entity disclosure**		
	Statement of Financial Position		
	ASSETS		
	Current assets	233,964	56,428
	Non-current assets	6,535,972	5,856,185
	TOTAL ASSETS	**6,769,936**	**5,912,613**
	LIABILITIES		
	Current liabilities	14,457,246	7,735,193
	Non-current liabilities	200,562	198,497
	TOTAL LIABILITIES	14,657,808	7,933,690
	TOTAL NET LIABILITIES	**(7,887,872)**	**(2,021,077)**
	SHAREHOLDERS' DEFICIT		
	Issued capital	1,042,600	125
	Share based payment reserve	1,724,831	233,751
	Accumulated losses	(10,655,303)	(2,254,954)
	TOTAL SHAREHOLDERS' DEFICIT	**(7,887,872)**	**(2,021,077)**

	Year ended 30 June 2019	Period 28 July 2017 (date of incorporation) to 30 June 2018
Statement of Profit or Loss and Other Comprehensive Income		
Total loss, net of tax	(7,152,324)	(3,348,012)
Loss for the period	(7,152,324)	(3,348,012)

Company's commitments are the same as disclosed in note 24.

The Company does not have any contingent liabilities.

Note 18 Contingent liabilities

Fernview Environmental Pty Ltd has a royalty agreement whereby it will pay Fernview Development Group Pty Ltd (an unrelated party) a royalty of $1.50 per tonne based on the number of tonnes of waste received at the Gingin Facility. Payment is contingent on the development of the Gingin Facility and the receipt of waste.

The Group does not have any other contingent liabilities as at balance sheet date and none have arisen since balance sheet date to the date of signing the Directors' report.

Note 19 Controlled entity

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entity in accordance with the accounting policy described in note 2 (b).

Name	Country of incorporation	Percentage owned 30 June 2019	Percentage owned 30 June 2018
Fernview Environmental Pty Ltd. (ACN 617 674 469)	Australia	100%	100%

Note 20 Business combination

On 13 April 2018, the Company acquired 100% of the equity of Fernview Environmental Pty Ltd (Fernview) and the assets and liabilities of the Maddington Facility in an interrelated transaction which was accounted for as a business combination.

The acquisition was undertaken to develop an integrated waste management business.

The acquisition gave rise to a bargain purchase as the acquisition was a result of a distressed sale by the appointed administrator of the former owner of the business. M8 Sustainable Limited held a first ranking secured debt instrument from Fernview, impacting the ability of the administrator to realise the asset value.

Assets acquired and liabilities assumed:
The fair values of the identifiable assets and liabilities assumed as at the date of acquisition are:

	Fair Value
Assets	**$**
Cash and cash equivalents	10,455
Prepayments	11,000
Freehold property	9,200,000
C&I Plant and other Maddington Assets	5,185,200
Other current assets	297
Total identifiable assets	14,406,952
Liabilities	
Trade creditors and other provisions	(123,445)
Provisions	(74,918)
Loan from M8 Sustainable Limited	(6,442,273)
Deferred tax liability	(739,437)
Total assumed liabilities	(7,380,073)
Net assets acquired	7,026,879
Purchase consideration transferred	(5,163,567)
Bargain purchase on business combination	**1,863,312**

The Group engaged Insitu Advisory, who are specialised in valuing landfill facilities in Australia, to obtain a valuation for the landfill facility at Gingin. The asset was valued upon acquisition on 13 April 2018 at $9,200,000 using the income approach (level 3 in the fair value hierarchy).

Grays Asset Services, who are the largest industrial and commercial online auction business in Australasia, was engaged to carry out the valuation of the mobile plant, fixed plant, office equipment and motor vehicles at the Maddington Facility using a combination of the sales analysis method and depreciated replacement cost method (level 3 in the fair value hierarchy). The fair value of the mobile plant and fixed plant was $5,185,200 which was the value recognised on acquisition on 13 April 2018.

From the date of acquisition, the controlled entity, Fernview contributed $637,223 to the loss of the Group for the period ended 30 June 2018. If the combination had taken place at the beginning of the financial period ended 30 June 2018, the loss for the period ended 30 June 2018 would have been the $1,812,953.

Analysis of purchase consideration:

Cash consideration paid and payments made on behalf of the vendor		1,187,915
Less: Cash of controlled entity acquired		(10,455)
Non-cash settlements	(a)	3,975,652
Total consideration net of cash acquired		**5,153,112**

Note 20 Business combination (continued)

(a) Non-cash settlements represent:
   (i) $2,500,000 related to the acquisition of the Maddington Facility whereby this amount of the purchase consideration was settled via offset against amounts due from Aurigen Group Ltd, the parent entity of the company selling the assets,
   (ii) $500,000 related to the acquisition of shares in Fernview, offset against amounts due from Aurigen Group Ltd, the ultimate parent entity of Fernview
   (iii) $975,652 related to an obligation to provide fully paid ordinary shares in the Company to the value of $595,396 to Flugge Superannuation Fund together with $380,256 cash as consideration to remove encumbrances, on behalf of the vendor, from assets being acquired in the business combination.

Note 21 Financial risk management

Financial Risk Management Objectives

The Group's main exposure is to liquidity risk. The Company's overall management program is focussed on managing this risk and is working with long term investors to invest debt capital into the Group with the opportunity that the debt would be converted into equity on or before an Initial Public Offering.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprises cash and cash equivalents and trade and other receivables.

Credit risk in respect of trade and other receivables arises when a customer fails to meet its contractual liabilities. The Group is exposed to such risk. The Group seeks to minimise/reduce this risk by setting credit limits and focussing on having a broader rather than narrow number of customers.

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

Following the adoption of AASB 9, the Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period.

Except for Trade receivables, contract assets and other short-term receivables (see below), expected credit Losses (ECL's) are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers information that is reasonable and supportable, including historical experience and forward-looking information. Forward-looking information considered includes consideration of external sources of economic information. In particular, the Group takes into account the counterparties external credit rating (as far as available), actual or expected significant changes in the operating results of the counterparty and macroeconomic when assessing significant movements in credit risk.

Note 21 Financial risk management (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates is restricted to cash and cash equivalents of $41,007. Therefore, there is no significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. It is the Group's policy to maintain sufficient funds in cash and cash equivalents to meet its financial obligations. Management prepares and monitors rolling cash flows and regularly reviews existing funding arrangements to manage this risk.

The table below summarises the contractual maturity profile of the Group's financial liabilities based on undiscounted payments:

30 June 2018	**One year**	**After one year**	**Total**
Trade payables	91,522	-	91,522
Accrued and other payables	997,024	-	997,024
Term borrowings	942,986	-	942,986
Amount due to a related company	1,333,813	-	1,333,813
Amount due to a related party	989,276	-	989,276
Loan from SBANG	10,274,481	-	10,274,481
Loan from a shareholder	150,000	-	150,000
	14,779,102	**-**	**14,779,102**

30 June 2019	**One year**	**After one year**	**Total**
Trade payables	631,504	-	631,504
Accrued and other payables	948,132	-	948,132
Term borrowings	44,491	20,089	64,580
Amount due to a related company	-	-	-
Amount due to a related party	435,124	-	435,124
Loan from SBANG	20,040,641	-	20,040,641
Loan from a shareholder	50,000	-	50,000
	22,149,892	**20,089**	**22,169,981**

Note 22 Fair values

Set out below, is a comparison of the carrying amounts and fair values of financial assets and financial liabilities:

	30 June 2018	
	Carrying amount	Fair Value
	$	$
Financial assets		
Cash and cash equivalents	72,571	72,571
Financial liabilities		
Trade payables	91,522	91,522
Accrued and other payables	997,024	997,024
Term borrowings	942,986	942,986
Amount due to related company	1,333,813	1,333,813
Amount due to related party	989,276	989,276
SBANG Loans	10,274,481	10,274,481
Loan from a shareholder	150,000	150,000
	14,779,102	**14,779,102**

	30 June 2019	
	Carrying amount	Fair Value
	$	$
Financial assets		
Cash and cash equivalents	41,007	41,007
Financial liabilities		
Trade payables	631,504	631,504
Accrued and other payables	948,132	948,132
Term borrowings	44,491	44,491
Amount due to related company	-	-
Amount due to related party	435,124	435,124
SBANG Loans (i)	20,040,641	20,040,641
Loan from a shareholder	50,000	50,000
	22,149,892	**22,149,892**

(i) The fair value of the SBANG loans has been determined using a discounted cashflow (level 3 in the fair value hierarchy) using a market based interest rate of 10%.

Note 23 Operating segments

Revenue is primarily derived from a single contract to provide services to a related party in Australia. The Group's main operations at the Maddington Facility have not yet fully recommenced. The Group has one single reporting segment. All non-current assets are located in Australia.

Note 24 Capital commitment

The Group does not have any capital commitments as at balance sheet date.

		30 June 2019	30 June 2018
		$	$
Note 25	**Operating lease commitments**		
	No longer than 1 year	1,004,450	983,000
	Longer than 1 year and not longer than 5 years	3,932,000	3,932,000
	Longer than 5 years	11,032,758	12,015,758
		15,969,208	**16,930,758**

Commitments are calculated based on the assumption that the Company will extend the lease term for a further 10 years under the lease agreement.

Note 26 Share based payments and bonus incentives

Bonus Incentive

Under employment contracts with 3 key management personnel dated 1 September 2017, the parties have a bonus incentive whereby, on the listing of the Company on the ASX or other recognised stock exchange, the key management personnel will be entitled to an individual bonus of:

- bonus shares equalling 0.5% of the Company's issued capital at the time that the Company becomes listed (representing an equity settled share-based payment) and a payment equivalent to the employee's tax liability (representing a cash settled share based payment)
- cash bonus equivalent to 0.5% of the total capital raised by the Company before listing on the ASX (see provision for employee benefits note 11)

The expense recognised for the year ended 30 June 2019 includes a component for the bonus shares based on their intrinsic value as at 30 June 2019. A total of 2,509,233 shares are expected to vest on listing and were valued at 15.6 cents per right based upon their intrinsic value as at 30 June 2019.

The bonus incentives are dependent upon employment through to entitlement.

The bonus shares and cash bonus clauses were rescinded by all 3 key management personnel on 4 and 13 September 2019. The bonus shares will not be issued and the cash bonus will not be payable upon the Company's ASX listing. As the Group used the intrinsic value method to account for these awards, a reversal of the cumulative share-based payment expense associated with the bonus shares will be recognised through profit and loss on the cancellation date. The provision for the cash bonus will be reversed on the cancellation date.

Under the same employment contracts, 3 key management personnel are also entitled to an Executive Cash Bonus and to participate in an Executive Share Scheme as follows:

- a discretionary Executive Cash Bonus equivalent of up to 50% of the employee's Base Salary may be earned based on an appraisal of individual and Company performance with the first milestone being the Company's ASX listing
- the participation in an Executive Share Scheme whereby each eligible employee will receive up to 1,000,000 shares each year with the first year's milestone being the Company's ASX listing, subject to Directors' discretion (representing an equity settled share-based payment) and a payment equivalent to the employee's tax liability (representing a cash settled share based payment)

The new Board of Directors of the Company, subsequent to its listing on the ASX, will determine the performance and vesting conditions of the Executive Cash Bonus and Executive Share Scheme. As at 30 June 2019 the Company did not provide for these bonus incentives because the terms and conditions of the awards had not yet been determined.

Note 26 Share based payments and bonus incentives (continued)

Director Entitlement

Charles Mackinnon, a director, received an entitlement to 500,000 fully paid ordinary shares in the Company as part settlement for his services. The grant date was 7 December 2017. The shares were valued at 15.6 cents based upon their intrinsic value at 30 June 2019. There were no service conditions on the entitlement. The shares were issued on 3 May 2019.

The expense recognised for share based payments for employee services during the period is shown in the following table:

	Year ended 30 June 2019	Period 28 July 2017 (date of incorporation) to 30 June 2018
	$	$
Bonus incentive shares – equity settled	188,242	155,751
Director entitlement – equity settled	-	78,000
	188,242	**233,751**
Bonus incentive shares – cash settled	88,474	73,203
	88,474	**73,203**

No other shares had been issued to Directors at the year end and no entitlements had lapsed or were forfeited.

Promoter Shares

The Company issued a total of 6,682,530 fully paid ordinary shares for nil consideration to promoters of the Company. The shares were valued at 15.6 cents based upon their intrinsic value at 30 June 2019. There were no service conditions on the entitlement. The shares were issued on 3 May 2019.

The expense recognised for share based payments to promoters during the period is shown in the following table:

	Year ended 30 June 2019	Period 28 July 2017 (date of incorporation) to 30 June 2018
	$	$
Promoter shares	1,042,475	-

Options

The Company will issue a total of 20,000,000 options to the lead manager of the Company's IPO, upon the Company's ASX listing. The options are issued as consideration for the lead manager's role in the IPO including corporate advisory, marketing and selling and distribution services of the Company's shares. The options will have an exercise price of $0.25 and a life of three years. The fair value per security has been calculated as $0.0706 using a Black Scholes share option pricing model.

The Company has not recognised an expense as at 30 June 2019 relating to the issue of these Options because the services had not yet been performed by the lead manager.

Note 27 Subsequent events

With the exception of the transactions noted below, no material transactions have occurred since 30 June 2019 and the date of the approval of the financial statements which the Directors consider require disclosure.

Operations

The Company re-opened its facility in Maddington on 1 July 2019.

SBANG loan facilities

As at 30 June 2019, the Company had $1,749,000 remaining to draw on its convertible note facility. This amount was fully drawn down subsequent to 30 June 2019 and up to the date of this report.

On 10 July 2019 the Company issued 51,282,051 fully paid ordinary shares at $ 0.156 per share representing partial repayment of $8,000,000 of the loan facility with SBANG.

On 3 September 2019 SBANG provided the Company with a new loan facility of $4,000,000 to be available once the Company is admitted to the Official List of ASX. The loan will accrue interest at 10% per annum.

Upon the successful IPO, SBANG has agreed to convert the outstanding balance of the SBANG loan of $6,000,000 plus a further $1,600,000 of the outstanding convertible notes into 48,717,949 Shares upon the Company's admission to the Official List of ASX. The modification of the terms of the SBANG convertible note will result in a loss to the Group estimated to be $771,282, being the value of the incremental number of Shares to be issued on settlement of the convertible note (3,856,410 Shares) valued at 20 cents per Share. The conversion of the SBANG loan will result in a loss of $1,692,308 to the Group, being the difference between the estimated fair value of the Shares to be issued at 20 cents per Share and the carrying value of the loan.

Under variation deeds dated 26 September 2019 and 25 October 2019, the Company has committed to repay all outstanding SBANG existing borrowings of $4,400,000 representing the balance of the convertible notes (excluding any amount due under the loan facility provided on 3 September 2019), and interest outstanding at the date of the Company's admission to the Official list of ASX, using the proceeds of the IPO.

Issue of Promoter Shares

During the period subsequent to 30 June 2019 and up to 24 October 2019 the Company issued a total of 17,965,945 fully paid ordinary shares for nil consideration to promoters of the Company, which included 7,115,038 shares issued to SBANG.

Transfer of shares to Star Universal Network Public Company Limited

On 20 September 2019, SBANG transferred 23,900,000 shares to Star Universal Network Public Company Limited. This represents 28.8% of the total issued capital at that date. SBANG continued to hold 41.6% of the total issued capital of the Company.

Termination of Bonus Incentives

Certain bonus incentive clauses were terminated on 4 and 13 September 2019. The impact of these is disclosed at note 26.

Termination of Directors Indemnity

On 19 September 2019 the Company terminated the director's indemnity agreement related to unpaid superannuation guarantee penalties as disclosed in note 16(vi).

- End of the Report -