

Appendix 4D

ASX listing rule 4.2.A.3

Report for the half year ended 31 December 2020

Reporting Period: 6 months ended 31 December 2020

Previous Corresponding Period: 6 months ended 31 December 2019

The Half-Year Consolidated Financial Report should be read in conjunction with the financial statements for the year ended 30 June 2020.

Results for announcement to the market

	31 December 2020 \$'000	31 December 2019 \$'000	Change Up / Down \$'000	Change Movement %
Revenue from ordinary activities	2,056	871	1,185	136%
Profit/(Loss) from ordinary activities after tax attributable to members	(9,265)	(8,378)	(887)	11%
Profit/(Loss) for the period attributable to members	(9,265)	(8,378)	(887)	11%

Dividends

	Amount per Security (Cents)	Franked Amount Security at 30%
Final 2020 fully franked dividend	Nil	0%
Interim 2021 fully franked dividend	Nil	0%

Net Tangible Assets (NTA) per security

	31 December 2020 \$	31 December 2019 \$
NTA per security	0.04	0.08

The Financial information provided in Appendix 4D is based on the half-year Interim consolidated financial report (attached).

The attached financial statements and Directors' declaration have been subject to an independent review.

M8 Sustainable Limited
ACN 620 758 358
and its Controlled Entity

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**For the half-year ended
31 December 2020**

M8 SUSTAINABLE LIMITED
CORPORATE DIRECTORY

Directors

Robert McKinnon, Chairman (resigned 14 October 2020)
Tomasz Jacek Rudas, Managing Director and Chief Executive Officer
Richard Peter Allen (resigned 14 October 2020)
Mark Robert Puzey (appointed Chairman 28 October 2020)
Saithsiri Saksitthisereekul
Stephen David Hyams (appointed 6 November 2020)

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

Share Register

Computershare Investor Services Pty Limited
GPO Box 3224
Melbourne
Victoria 3001 Australia

ASX Listing

M8 Sustainable Limited shares are listed on the Australian Securities Exchange (ASX) under the code M8S.

Auditors

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

**M 8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

C O N T E N T S

	<u>Page</u>
Directors' Report	4
Directors' Declaration	7
Independent Auditor's Review Report	8
Auditor's Independence Declaration	10
Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	16

M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT FOR THE HALF YEAR ENDED
31 DECEMBER 2020

The Directors present their report for M8 Sustainable Limited ("M8 Sustainable" or "the Company") and its controlled entity (the Group) for the half year ended 31 December 2020.

DIRECTORS

The directors of the Company that held office during the half year ended 31 December 2020 and up to the date of this report are:

Robert McKinnon, Chairman (resigned 14 October 2020)
Tomasz Jacek Rudas, Managing Director and Chief Executive Officer
Richard Peter Allen (resigned 14 October 2020)
Mark Robert Puzey (appointed Chairman 28 October 2020)
Saithsiri Saksitthisereekul
Stephen David Hyams (appointed 6 November 2020)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Operations

For the half year ended 31 December 2020, the Company recorded revenue from contracts with customers of \$2,056,438 compared to \$871,134 for the prior corresponding period (pcp), resulting in an increase of 136%. The result is significantly impacted by impairment losses recognised at 31 December 2020.

Total income was \$2,451,247 (which included \$315,483 from R&D claim and \$67,500 from Government stimulus package) compared to \$872,226 for the pcp, an increase of 181%. A key factor that contributed to these results was a significant increase in monthly waste volumes processed at the Maddington Waste Facility (Maddington) during the first half.

The Group incurred a loss after tax of \$9,264,771 for the reporting period compared to the pcp of \$8,378,100. This loss is mainly impacted by the recognition of impairment of the Company's Maddington assets to the value of \$6,981,753. The prior period loss recorded is attributable to the Group recognising IPO and finance related costs totaling \$6,648,005.

During the first half, the Company continued research and development on recycling of various new streams of wastes received. Certain changes were carried out to the plant and new processes were introduced to achieve higher efficiency. These tests required higher labour engagement which was met through increased labour hire. The tests also resulted in higher waste disposal and required the engagement of mobile plant. In the absence of the Company owning the required mobile plant, the Company sourced it from the market which resulted in higher costs.

Maddington Waste Facility

Uncertainties due to COVID-19 during the last quarter of FY 20 continued to depress market conditions within the C&I and C&D sector. The Impact of federal and state government incentives announced in favour of the construction industry were witnessed only during final quarter of 2020.

Towards the end of the second quarter, management made a conscious decision to gradually streamline the C&I sector due to high cost of recycling versus low gate fees currently being offered in the market by competitors.

Some C&D waste sector regulations appear to currently not achieve the results that they were originally designed for; with a number of operators reducing gate fees charged for accepting C&D waste by stockpiling waste rather than incurring costs associated with processing for reuse. Subsequently the Group undertook an impairment assessment as at 31 December 2020 and determined that the carrying value of the Maddington site exceeded its recoverable value. As a consequence, the Group has recorded an impairment loss of \$6,981,753.

Moving forward, the Company will both continue to lobby the relevant regulatory departments for appropriate change and advance strategies to improve the performance of Maddington, which include focusing on waste streams yielding higher margins, reducing operating costs, limiting the volumes of waste sent to landfill, seeking new waste streams and continued growth of the customer base.

M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT FOR THE HALF YEAR ENDED
31 DECEMBER 2020

Brockwaste Recycling and Processing Facility

The Company's operations and maintenance contract for the Brockwaste facility continues to generate revenue.

Gingin Landfill Facility

The Company continues to develop the fully permitted Gingin Landfill Facility (Gingin), which has a licensed capacity of 150,000 tonnes.

During the first half, bulk earthworks were completed and the substantial commencement certification was received from the Shire of Gingin. Liners for Cell 1 were ordered and delivered to site.

The Company was required to undergo a 100-day testing period whereby independent testing was undertaken to determine whether the required specifications of the liners had been satisfied. Third party contractors have confirmed that the tests have passed and comply with the technical specification requirements. Installation of the liners is anticipated to commence in March 2021.

Corporate

Board Changes

The following changes to the composition of the board of the Company occurred during the first half:

- Robert McKinnon and Richard Allen resigned as Directors on 14 October 2020
- Mark Puzey assumed the role of Chairman on 28 October 2020
- Stephen Hyams was appointed as a Non-Executive Director on 6 November 2020.

Equipment Financing

The Company entered into the following financial arrangements to acquire equipment for the Maddington facility:

- In October 2020, a loan facility with Bigstone Lending Pty Ltd for an amount of \$88.4k over a 36-month term to assist with the purchase of a DAF truck and tipping trailer
- In November 2020 a loan facility with Scottish Pacific Business Finance Pty Ltd for an amount of \$813k over a 60-month term to assist with the purchase of an impact crusher, crushing screen and jaw crusher
- In December 2020 a loan facility with Scottish Pacific Business Finance Pty Ltd for an amount of \$75k over a 48-month term to assist with the purchase of a dust suppression system

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

All significant changes in the state of affairs of the Group during the reporting period are discussed as detailed above.

DIVIDENDS

The directors have determined that no interim dividend be declared.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

There are no material transactions that have occurred since 31 December 2020 up until the date of this report, which the directors consider require disclosure, except as follows:

Remagen Loan Facility

On 11 February 2021, the Company entered into a loan facility with Remagen Capital Management Pty Ltd (Remagen). The key terms of the Remagen loan facility are as follows:

Loan Amount:	\$11,000,000
Interest Rate:	14% per annum
Term:	24 months

M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT FOR THE HALF YEAR ENDED
31 DECEMBER 2020

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD (continued)

Security: (i) first ranking mortgage over the land upon which the Gingin Waste Management Facility is being constructed and over M8S's lease over the Maddington Waste Facility
(ii) security interest over all of the present and future property and assets of the Company and its subsidiary, Fernview Environmental Pty Ltd.
The security was provided in favour of Remagen.

Fees: 4% of the Loan Amount payable as arrangement and loan fees with an additional 2% if the facility exceeds a term of 12 months.

The loan facility also contains indemnities, warranties, undertakings and events of default considered customary for an agreement of this nature.

M8 Holding Loan Facility

At the annual general meeting of shareholders held on 5 June 2020, approval was given for the granting of security to M8 Holding Limited (formerly Sbang Sustainable Energies Ltd) in relation to a loan facility of up to \$4 million which M8 Holding had undertaken to provide to the Company. The security was to be in the form of a first priority fixed and floating charge of all of the assets of the Company. As a consequence of the settlement of the \$11 million loan facility with Remagen, M8 Holding has agreed to a second priority security with respect to the \$4 million loan facility.

Funding facility provided to Star Shenton Pty Ltd (SSE)

On 27 January 2021, the Company entered into a funding facility and agreement on receivables with SSE. The key terms of the SSE facility are as follows:

Loan Amount: \$250,000
Interest Rate: 10% per annum
Term: Payable on 30 June 2021

The amount receivable as at 31 December 2020, along with any other receivables falling due, will attract interest of 10% from 1 January 2021 onwards. The total amount receivable is to be paid by 30 June 2021. The Company has registered its secured interest through PPSR register on equipment owned by SSE and maintained at the Company's Maddington site.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 10 of this financial report.

Signed in accordance with a resolution of the directors.



Tomasz Rudas
Director

Dated this 26th day of February 2021

Perth
Western Australia

M8 SUSTAINABLE LIMITED 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 standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and giving a true and fair view of the financial position of the Group as at 31 December 2020 and performance of the Group for the half year ended 31 December 2020; and
2. In the Directors' opinion, subject to the matters detailed 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.

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



Tomasz Rudas
Director

Dated this 26th day of February 2021

Perth
Western Australia



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Independent auditor's review report to the members of M8 Sustainable Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of M8 Sustainable Limited (the Company) and its subsidiary (collectively the Group), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising of a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2a(ii) in the interim 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 about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

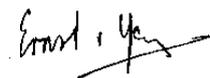
Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Robert A Kirkby
Partner
Perth
26 February 2021



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Auditor's independence declaration to the Directors of M8 Sustainable Limited

As lead auditor for the review of M8 Sustainable Limited for the half-year ended 31 December 2020, 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 review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Robert Kirkby
Partner
26 February 2021

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Notes	31 December 2020 \$	31 December 2019 \$
Revenue from contracts with customers	3	2,056,438	871,134
Other income	3	394,809	1,092
Total income		2,451,247	872,226
Employee related expenses	4	(1,820,144)	(1,298,087)
Recycling, waste disposal and other site costs	5	(1,330,020)	(487,049)
Rental outgoings and licence fees		(203,366)	(204,754)
Insurance cost		(177,044)	(107,883)
Professional fees		(205,185)	(378,693)
IPO related costs	6	-	(5,684,218)
Other expenses	7	(222,625)	(181,554)
Depreciation of property, plant and equipment	8	(703,477)	(617,142)
Finance costs		(72,404)	(963,787)
Impairment of non-financial assets	9	(6,981,753)	-
Loss before tax from continuing operations		(9,264,771)	(9,050,941)
Income tax benefit	10	-	672,841
Loss for the period		(9,264,771)	(8,378,100)
Other comprehensive income		-	-
Total Comprehensive Profit/ (Loss) for the financial period attributable to the equity holders of the Group		(9,264,771)	(8,378,100)
Earnings per share:			
• Basic loss per share attributable to ordinary equity holders of the parent (dollars per share)	11	(0.040)	(0.085)
• Diluted loss per share attributable to ordinary equity holders of the parent (dollars per share)	11	(0.040)	(0.085)

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

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	31 December 2020 \$	30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents	12	1,254,238	4,164,270
Trade and other receivables	13	717,344	1,057,734
Prepayments		415,081	277,366
Advances to contractor		-	250,000
Total Current Assets		2,386,663	5,749,370
NON-CURRENT ASSETS			
Property, plant and equipment		16,481,033	17,214,592
Right-of-use assets		2,745,600	6,136,773
Other non-current receivables		406,500	406,500
Total Non-current Assets		19,633,133	23,757,865
TOTAL ASSETS		22,019,796	29,507,235
CURRENT LIABILITIES			
Trade and other payables	14	929,806	950,547
Borrowings	15	389,971	61,237
Lease liabilities	16	540,702	211,067
Provisions	17	102,563	101,921
Total Current Liabilities		1,963,042	1,324,772
NON-CURRENT LIABILITIES			
Borrowings	15	685,617	1,348
Lease liabilities	16	7,687,124	7,474,118
Total Non-current Liabilities		8,372,741	7,475,466
TOTAL LIABILITIES		10,335,783	8,800,238
NET ASSETS/(LIABILITIES)		11,684,013	20,706,997
EQUITY			
Issued capital	18	41,991,364	41,991,364
Share based payment reserve		1,761,072	1,519,285
Accumulated losses		(32,068,423)	(22,803,652)
TOTAL EQUITY		11,684,013	20,706,997

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

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Issued capital	Share based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance as at 1 July 2019	2,345,438	421,993	(9,009,514)	(6,242,083)
Loss after tax	-	-	(8,378,100)	(8,378,100)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(8,378,100)	(8,378,100)
Share based payments	-	899,666	-	899,666
Shares issued – IPO	19,500,000	-	-	19,500,000
Shares issued to promoters during the period	2,802,687	-	-	2,802,687
Shares issued to settle loans during the period	18,509,532	-	-	18,509,532
Capital raising costs	(1,166,293)	-	-	(1,166,293)
Total transactions with owners recorded directly in equity	39,645,926	899,666	-	40,545,592
Balance at 31 December 2019	41,991,364	1,321,659	(17,387,614)	25,925,409
Balance at 1 July 2020	41,991,364	1,519,285	(22,803,652)	20,706,997
Loss after tax	-	-	(9,264,771)	(9,264,771)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(9,264,771)	(9,264,771)
Share based payments	-	222,923	-	222,923
Share options	-	18,864	-	18,864
Total transactions with owners recorded directly in equity	-	241,787	-	241,787
Balance as at 31 December 2020	41,991,364	1,761,072	(32,068,423)	11,684,013

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

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	31 December 2020	31 December 2019
Notes	\$	\$
Cash flows used in operating activities		
Loss after income tax	(9,264,771)	(8,378,100)
Adjustments for:		
<i>Non-cash items:</i>		
Depreciation of property, plant and equipment	703,477	617,142
Impairment of assets	6,981,753	-
Loss on disposal of property, plant and equipment	-	51,740
Non-cash issuance of promoter's shares	6	2,802,687
Loss on conversion of SBANG debt	6	2,463,590
Share options - Lead manager	6	1,150,000
Director indemnity cancelled	6	(492,314)
Director and Executive bonuses rescinded	6	(1,072,180)
Share-based payment expense	6	93,659
Capital raising cost attributable to equity	6	(1,166,293)
Interest expense	-	939,144
Capital raising costs	-	685,544
<i>Changes in assets and liabilities</i>		
Decrease in receivables and other receivables	270,279	1,198,553
Decrease/(increase) in prepayments	(137,714)	(22,716)
(Increase) in inventory	-	(60,236)
(Decrease)/increase in trade payables and other payables	(34,467)	(229,570)
Increase/(decrease) in provisions	642	(14,365)
(Decrease) in deferred tax liabilities	-	(672,841)
Net cash flows used in operating activities	(1,239,014)	(2,106,556)
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(1,936,463)	(327,718)
Capitalised interest paid	(441,234)	-
Deposit for bank guarantee	-	(260,500)
Proceeds from sale of fixed assets	-	100,091
Net cash flows used in investing activities	(2,377,697)	(488,127)

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Notes	31 December 2020 \$	31 December 2019 \$
Cash flows from (used in) financing activities			
Proceeds from issue of shares		-	19,500,000
Proceeds from related company loan		-	919,884
Repayment of amount due to related company		(145,025)	(919,884)
Proceeds from SBANG Sustainable Energies Ltd loan		-	401,000
Proceeds from SBANG Sustainable Energies Ltd convertible note		-	1,749,000
Repayment of SBANG Sustainable Energies Ltd loan		-	(6,590,641)
Proceeds from short-term loans		351,343	127,170
Repayment of short-term loans		(172,261)	(198,421)
Proceeds from equipment finance loans		866,456	-
Repayment of equipment finance loans		(32,535)	-
Repayment of shareholder loan		-	(50,000)
Repayment of principal portion of lease liabilities		(161,299)	(105,533)
Payment of capital raising costs		-	(685,544)
Interest paid		-	(928,325)
Net cash flows from financing activities		706,679	13,218,706
Net increase in cash and cash equivalents		(2,910,032)	10,624,023
Cash and cash equivalents at the beginning of the financial period		4,164,270	41,007
Cash and cash equivalents at the end of the period		1,254,238	10,665,030

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

M8 SUSTAINABLE LIMITED AND ITS CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 1. Corporate Information

These interim consolidated financial statements of M8 Sustainable Limited (the “Company” or the “Parent”) and its subsidiary (collectively the “Group”) for the six months ended 31 December 2020, were authorised for issue in accordance with a resolution of the Directors on the 26th day of February 2021.

M8 Sustainable Limited is a listed public company, incorporated and domiciled in Australia. Its registered office is 4C Consulting Pty Ltd, Unit 5, 145 Walcott Street, Mount Lawley WA 6050 and its principal place of business is Unit 1, 48 Kelvin Road, Maddington WA 6109. Its principal activities are related to the waste industry.

Note 2. Basis of Preparation and Summary of Significant Accounting Policies

a) Basis of preparation

(i) Compliance statement

The interim consolidated financial statements are condensed general purpose financial statements, prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard 134 *Interim Financial Reporting* (AASB 134).

The interim consolidated half-year financial statements do not include all notes of the type normally included in annual financial statements. Accordingly, these interim consolidated half-year financial statements are to be read in conjunction with the 2020 Financial Statements for the year ended 30 June 2020 and any public announcements made by the Company during the period ended 31 December 2020 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements, except as disclosed below.

(ii) Going concern

For the period ended 31 December 2020, the Group recorded a net loss before tax of \$9,264,771 and had operating cash outflows of \$1,239,014. As at 31 December 2020, the Group’s cash and cash equivalents amounted to \$1,254,238 and net current assets were \$423,621.

The Group has implemented a number of measures to improve its revenue and margins, as well as to lower costs. These initiatives include the following:

- subsequent to half year end, on 11 February 2021, the Group settled a loan facility with Remagen Capital Management Pty Ltd., enabling the completion of the Gingin landfill facility.
- temporarily ceased skip bin part of C&I recycling operations at Maddington due to the high cost of recycling as well as low gate fees received arising from competitor activity in the market. This has reduced site labour costs and mobile plant has been redeployed to the C&D waste stream and to the Gingin landfill construction.
- streamlined the remaining C&I waste to remove low margin customer categories including skip bin operators.
- increased operations in steel recycling which will generate improved margins including aggregating scrap steel, with the majority of steel being exported.

As disclosed at Note 24, subsequent to year end the Group has signed a new loan of \$11 million, enabling completion of the Gingin landfill construction.

**M 8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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

a) Basis of preparation (continued)

(ii) Going concern (continued)

The directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of approval of these interim consolidated financial statements and are of the opinion that the Group will have sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval of the interim consolidated financial statements for the half year ended 31 December 2020. The directors believe that the Group can continue to access debt and equity funding to meet medium term working capital. Accordingly, the directors consider that it is appropriate to prepare the Group's interim consolidated financial statements on a going concern basis.

Notwithstanding the above, there remains material uncertainty as to whether the Group can raise sufficient funding as outlined above which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim consolidated financial statements.

The interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of the Group's assets or to the amounts and classification of liabilities which might be necessary should the Group not continue as a going concern.

(iii) New and amended accounting standards and interpretations adopted by the Group

The Group has adopted all new or amended standards and interpretations effective from 1 July 2020. The adoption of these new and amended accounting standards and interpretations did not result in any significant changes to the Group's accounting policies.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim consolidated financial statements of the Group.

The Group has not elected to early adopt any new or amended standards or interpretations that are issued but not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

		31 December 2020	31 December 2019
		\$	\$
Note 3	Revenue from contracts with customers		
	Operations and maintenance (O&M) service fee	190,858	286,756
	Construction and demolition (C&D) waste revenue	1,547,570	336,738
	Commercial and industrial (C&I) waste revenue	318,010	247,640
	Total Revenue	2,056,438	871,134

M8 Sustainable Ltd receives gate fees for construction and demolition (C&D) materials as well as commercial and industrial waste (C&I) materials. Revenue is recognised at the point in time when the weighing and acceptance has been completed.

O&M service fee revenue relates to waste management services provided to a related party. Revenue is recognised over time.

Other income

Interest received	2,072	1,092
Government stimulation packages	67,500	-
Other revenue	9,754	-
Research and development claim received	315,483	-
	394,809	1,092

Note 4 Employee benefits, salaries and wages

Wages and salaries expenses	(984,695)	(818,587)
Labour contracting	(526,452)	(269,280)
Consulting	(58,344)	(210,220)
Director benefits	(27,730)	-
Share-based payment expenses	(222,923)	-
	(1,820,144)	(1,298,087)

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	31 December 2020 \$	31 December 2019 \$
Note 5		
Recycling, waste disposal and other site costs		
Waste disposal costs	(350,064)	(217,287)
Recycled steel purchases	(81,806)	-
Power, fuel and oil	(112,136)	(44,533)
Equipment hire	(394,626)	(103,528)
Repairs, maintenance and consumables	(202,545)	(116,303)
Other	(188,843)	(5,398)
	(1,330,020)	(487,049)
Note 6		
IPO related costs		
Cash items		
Capital raising cost	-	1,154,682
Lead managers and legal fees	-	750,387
	-	1,905,069
Non-cash items		
Cost for issuing promoter shares	-	2,802,687
Share-based payments (performance rights)	-	-
Loss on conversion of SBANG loan	-	2,463,590
Loss on settlement of Flugge superannuation loan	-	-
Share option expenses - Lead manager	-	1,150,000
Other	-	93,659
Director and Executive indemnity cancelled	-	(492,314)
Director and Executive bonus rescinded	-	(1,072,180)
	-	4,945,442
Capital raising costs and share options directly attributable to equity	-	(1,166,293)
Total Initial public offering and share option expenses recognised in profit or loss	-	5,684,218
Note 7		
Other expenses		
Marketing related costs	(2,298)	(15,432)
Office expenses	(28,939)	(25,257)
IT cost	(24,159)	(24,099)
Secretarial, legal and business expenses	(132,882)	(43,629)
Motor vehicle related expenses	(20,620)	(21,397)
Loss on asset sales	-	(51,740)
Provision for doubtful debts	(13,727)	-
	(222,625)	(181,554)

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

		31 December 2020	31 December 2019
		\$	\$
Note 8	Depreciation of property, plant and equipment		
	Depreciation on property, plant and equipment	(408,215)	(370,304)
	Amortisation on right-of-use assets	(295,262)	(246,838)
		(703,477)	(617,142)

Note 9 Impairment of assets

The policy for impairment testing and methods used to determine recoverable amounts are consistent with critical accounting estimates and judgements adopted by the Company. Impairment was considered across each of the Group's cash generating units (CGUs):

Gingin (Landfill operations)

This asset is currently under construction. The feasibility study underlying the development of landfill asset continues to support the current and future development of the asset. No impairment was identified.

No reasonable change in assumption would cause an impairment in the Gingin CGU.

Maddington (Waste Management)

Some C&D waste sector regulations appear to currently not achieve the results that they were originally designed for; with a number of operators reducing gate fees charged for accepting C&D waste by stockpiling waste rather than incurring costs associated with processing for reuse.

Due to low C&D gate fees and based on other triggers (including the COVID-19 impact), impairment testing was undertaken. The recoverable amount of the CGU was determined based on a value-in-use calculation. This calculation used real (excluding inflation) cash flow projections based on the 2021 budget approved by the Board and the following 3 years projections approved by senior management. Cash flows beyond this period were extrapolated using a zero percent growth rate. Cash flows are restricted to a 14 year period representing the life of the Maddington facility lease including lease options.

The impairment testing identified that the carrying value of the Maddington CGU exceeded its estimated recoverable value as at 31 December 2020, and the Group recorded an impairment loss of \$6,981,753 which is set out in the following table:

	Property, Plant and Equipment	Right-of-use Asset	Total
	\$	\$	\$
Carrying value	5,481,000	6,545,452	12,026,452
Estimated recoverable amount	(2,299,099)	(2,745,600)	(5,044,699)
Impairment recognised	3,181,901	3,799,852	6,981,753

**M 8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note 9 Impairment of assets (continued)

Recoverable amount key assumptions

The calculation of value-in-use for the Maddington facility is most sensitive to the following assumptions:

Discount rate	Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. A real post-tax discount rate of 13.5% has been applied. An increase in the discount rate by 1% would increase the impairment by \$308,413.
Revenue growth projections	Revenue growth projections are taken from the budget prepared each year and reflect changes in volumes and prices based on contracts and identified opportunities. A decrease in revenue by 5% over the period would increase the impairment by \$1,052,064.
Capital expenditure	Capital expenditure is based on expected cash flows to maintain the asset in its current condition. An increase in capital expenditure by 5% over the period would increase the impairment by \$36,037.

	31 December 2020	31 December 2019
	\$	\$
Note 10 Income tax		
The components of income tax expense comprise:		
<i>Current income tax</i>		
<i>Current income tax benefit</i>	-	-
<i>Deferred income tax</i>	-	-
Deferred income tax benefit relating to the origination and reversal of temporary differences	-	672,841
Income tax expenses reported in the consolidated statement of profit or loss and the other comprehensive income	-	672,841

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note 11 Earnings per share

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

	2020	2019
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share	233,229,835	98,057,405
Weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share	233,229,835	98,057,405
	\$	\$
Loss attributable to ordinary equity holders of the Company	(9,264,771)	(8,378,100)
EPS	(0.040)	(0.085)

	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	39,233,709	11,360,759

31 December 2020	30 June 2020
\$	\$

Note 12 Cash and cash equivalents

Cash on hand and at bank	1,254,238	4,164,270
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Note 13 Trade and other receivables

Trade receivables (i)	437,060	173,706
Receivable from SBANG Australia Pty Ltd	-	228,862
Receivable from Star Shenton Energy Pty Ltd (ii)	280,284	631,166
Job Keeper refunds due	-	24,000
	717,344	1,057,734

(i) Trade receivables are non-interest bearing and generally on 30 to 90 day terms. As at the reporting date, \$13,727 was provided for doubtful debts.

(ii) Amounts due from Star Shenton Energy (SSE) pertain to working capital advances and trade receivables. The advance amounts are non-interest bearing and payable on demand as at 31 December 2020. The Company has registered its secured interest through the PPSR register on equipment owned by SSE and maintained at the Company's Maddington site. Refer to Note 24 for subsequent amendment of the terms.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

		31 December 2020	30 June 2020
		\$	\$
Note 14	Trade and other payables		
	Trade payables	646,707	551,675
	Accrued and other payables	283,099	398,872
		929,806	950,547
		929,806	950,547
Note 15	Borrowings		
	Term borrowings – Pepper Asset Financing (i)	10,612	19,983
	Term borrowings – Scottish Pacific Business Finance (ii)	689,233	-
	Term borrowings – Bigstone Lending (iii)	144,687	-
	Premium funding of insurance (iv)	231,056	42,602
		1,075,588	62,585
	Less: Non-current portion	(685,617)	(1,348)
	Current portion	389,971	61,237
		389,971	61,237
	<p>(i) Term borrowings from Pepper Asset Financing Pty Ltd relates to financing for the Company's motor vehicle which bears interest at 7.99% and is repayable in monthly instalments by 11 July 2021.</p> <p>(ii) Term borrowings from Scottish Pacific Business Finance Pty Ltd relates to financing for the Company's mobile plant which bears interest at 11.49% and is repayable in monthly instalments by 12 October 2025. Current liability component amounts to \$188,128.</p> <p>(iii) Term borrowings from Bigstone Lending Pty Ltd relates to financing for the Company's mobile plant which bears interest at 24.19% and is repayable in monthly instalments by 12 October 2023. Current liability component amounts to \$73,849.</p> <p>(iv) Premium funding of insurance with Principal Finance and BOQ Financing for \$206,902 and \$24,154 respectively.</p>		
Note 16	Lease liabilities		\$
	As at 30 June 2020		7,685,185
	Net movement during the period		542,641
			8,227,826
	Less: Non-current portion		(7,687,124)
	Current portion		540,702
			540,702

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note 17	Provisions	31 December 2020	30 June 2020
	Employee provisions	<u>102,563</u>	<u>101,921</u>
Note 18	Issued capital		
	(a) Issued and paid-up capital	Number	Number
	Issued and fully paid ordinary shares	<u>233,229,835</u>	<u>233,229,835</u>
	(b) Movement in ordinary shares		
	Balance at 01 July	\$ 41,991,364	\$ 2,345,438
	Issuance of shares through IPO	-	19,500,000
	Issued to promoters during the period	-	2,802,687
	Issued to settle debt during the period	-	18,509,532
	Capital raising costs	-	(1,166,293)
	Ending balance	<u>41,991,364</u>	<u>41,991,364</u>
	(b) Movement in ordinary shares		
	Balance at 01 July	Number 223,229,835	Number 15,534,181
	Issuance of shares through IPO	-	97,500,000
	Issued to promoters during the period	-	17,965,945
	Issued to settle debt during the period	-	102,229,709
	Capital raising costs	-	-
	Ending balance	<u>223,229,835</u>	<u>233,229,835</u>

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 at that time 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 19 Related party transactions

The following related party transactions occurred during the period:

i) Star Shenton Energy Pty Ltd (SSE) – an amount totaling \$209,944 (inclusive of GST) was invoiced during the period for the provision of operations and maintenance services. Vijay Joshi is a Key Management Personnel (KMP) of the Company and also a director of SSE.

ii) The Group has a receivable from SSE for an amount of \$280,284. This amount includes \$70,340 of advances given to SSE. This amount is non-interest bearing. The Company has registered its secured interest through PPSR register on equipment owned by SSE and maintained at the Company's Maddington site.

**M 8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note 19 Related party transactions (continued)

iii) In March 2020, the Group awarded a contract to Sbang Australia Pty Ltd (Sbang Aust) with a value of \$9.6 million for the construction of a landfill facility at Gingin. Sbang Aust is a wholly owned subsidiary of SBANG Corporation Limited (Saithsiri Saksitthiserekul is a common director of the Company and SBANG Corporation). The contract was awarded following a comprehensive tender process and confirmation from the ASX that prior shareholder approval was not required for granting of the contract.

iv) The Company has entered into an agreement with M8 Holding pursuant to which M8 Holding agreed to provide a loan facility of up to \$4 million to the Company. A condition of the facility was that the Company was required to obtain shareholder approval (for the purposes of ASX Listing Rule 10.1) to grant security in favour of M8 Holding in security of the M8 Holding loan before it could draw on the loan. At the annual general meeting held on 5 June 2020, shareholders approved the granting of security in favour of M8 Holding. As at the reporting date, the loan facility remains undrawn.

Note 20 Commitments and Contingent liabilities

Commitments

A contract to construct the Gingin landfill facility was awarded to Sbang Australia Pty Ltd. The contract value is a fixed price of \$9.6 million. From the total fixed value, an amount of \$2.5 million has been paid towards the first phase of construction. The Company's outstanding commitment of \$7.1 million is subject to a minor variation whereby the Company has procured liners at a cost of \$589,683 on its own account. As a result, the net commitment is \$6.5 million at the reporting date. A material condition of the contract gives the Company the right to suspend the contract, at its discretion, and therefore granting the Company additional flexibility in the event that the second phase is delayed due to weather conditions or any such change that the Company deems fit to suspend the project.

Contingent liabilities

Fernview Environmental Pty Ltd, a wholly owned subsidiary of the Company, 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 landfill facility. Payment is contingent on the completion of the Gingin Facility and the subsequent 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.

**M 8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note 21 Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operation decision makers) in assessing performance and in determining the allocation of resources.

The Group has identified its operating segments to be Operations and Maintenance (O&M), Waste Management and Landfill Operations based on the different operating businesses within the Group.

The O&M segment primarily involves the provision of technical, business and other ancillary support to companies in the waste industry.

The Waste Management segment primarily involves resource recovery from construction and demolitions (C&D) waste and commercial and industrial (C&I) waste. C&D waste includes waste from demolition and civil construction activities, including roads and buildings. C&I waste includes waste industries including manufacturing and retail as well as wholesale businesses.

Landfill Operations have not yet commenced activities. However, the construction of the landfill facility at Gingin is currently underway. As at the reporting date, there is no revenue associated with this segment.

Corporate charges have been allocated based on estimated usage of corporate resources.

	Waste Management	Operations and Maintenance	Landfill - Gingin	Total operating segments
Half-Year ended 31 December 2020				
Revenue from external customers	1,865,580	190,858	-	2,056,438
	Waste Management	Operations and Maintenance	Landfill - Gingin	Total operating segments
Half-Year ended 31 December 2019				
Revenue from external customers	584,378	286,756	-	871,134

Note 22 Share based payments and bonus incentives

Stephen Hyams' (appointed as director on 6 November 2020) remuneration includes an issue of 750,000 shares in the Company on the anniversary of each year of his appointment whilst he remains a director of the Company. The issue of shares is subject to the prior approval of shareholders and the Board and the following terms:

- each issue of shares is subject to any required approvals under the Corporations Act and the ASX Listing Rules (if applicable);
- the shares will be issued for no consideration;
- the Company will be liable for all tax liabilities arising in relation to the annual awards of shares;
- the first issue of the shares will take place upon the expiry of one year from the first anniversary of Mr Hyams' appointment; and
- the Company undertakes to seek any shareholder and regulatory approvals required to issue the shares.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note 22 Share based payments and bonus incentives (continued)

In order to recognise the liability arising from the potential issue of these shares, the Company has accrued an amount of \$18,864 towards bonus incentives and \$18,686 towards tax liabilities arising in relation to awards of share totalling to \$37,550. The key inputs/assumptions for the valuation of the director rights were as follows:

Exercise price: Nil
Director term: 10 years
Share price: 31 December 2020 \$0.057

Performance Rights

On 4 December 2019, the Company issued a total of 10,000,000 performance rights to Directors and Management of the Company under the Performance Rights Offer. The estimated value of the performance rights is amortised over the vesting period of the rights (up to a period of 24 months). An amount of \$222,923 has been charged for the half year ended 31 December 2020.

In preparing valuation of the performance rights, the Black-Scholes Method has been used.

The key inputs for the valuation of the director rights were as follows:

Exercise price: Nil
Term: 1 and 2 years
Dividend yield: 0%
Extended volatility: 50% to 60%
Risk free interest rate: 0.77%

The key inputs for the valuation of the management rights were as follows:

Exercise price: Nil
Term: 1 and 2 years
Dividend yield: 0%
Extended volatility: 50% to 60%
Risk free interest rate: 0.80%

Note 23 Financial assets and liabilities

The fair value of the Group's financial assets and liabilities will be impacted by changes in interest rates. However, there were no material impacts during the period. The carrying amount of the financial assets and liabilities of the Group approximate their fair value.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note 24 Events after the reporting period

There are no material transactions that have occurred since 31 December 2020 and the date of this report which the directors consider require disclosure, except as follows:

Remagen Loan Facility

On 11 February 2021, the Company entered into a loan facility with Remagen Capital Management Pty Ltd (Remagen). The key terms of the Remagen loan facility are as follows:

Loan Amount:	\$11,000,000
Interest Rate:	14% per annum
Term:	24 months
Security:	(i) first ranking mortgage over the land upon which the Gingin Waste Management Facility is being constructed and over M8S's lease over the Maddington Waste Facility (ii) security interest over all of the present and future property and assets of the Company and its subsidiary, Fernview Environmental Pty Ltd. The security was provided in favour of Remagen.
Fees:	4% of the Loan Amount payable as arrangement and loan fees with an additional 2% if the facility exceeds a term of 12 months.

The loan facility also contains indemnities, warranties, undertakings and events of default considered customary for an agreement of this nature.

M8 Holding Loan Facility

At the annual general meeting of shareholders held on 5 June 2020, approval was given for the granting of security to M8 Holding Limited (formerly Sbang Sustainable Energies Ltd) in relation to a loan facility of up to \$4 million which M8 Holding had undertaken to provide to the Company. The security was to be in the form of a first priority fixed and floating charge of all of the assets of the Company. As a consequence of the settlement of the \$11 million loan facility with Remagen, M8 Holding has agreed to a second priority security with respect to the \$4 million loan facility.

Funding facility provided to SSE

On 27 January 2021, the Company entered into a funding facility and agreement on receivables with SSE. The key terms of the SSE facility are as follows:

Loan Amount:	\$250,000
Interest Rate:	10% per annum
Term:	Payable on 30 June 2021

The amount receivable as at 31 December 2020, along with any other receivables falling due, will attract interest of 10% from 1 January 2021 onwards. The total amount receivable is to be paid by 30 June 2021. Also, the Company has registered its secured interest through PPSR register on equipment owned by SSE and maintained at the Company's Maddington site.

- End of the Report -