



30 April 2021

The Manager
ASX Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

By email

Dear Sir/Madam

Activities Report and Appendix 4C – quarter ended 31.03.2021

In accordance with Listing Rule 4.7B, please find attached M8 Sustainable Limited's Activities and Appendix 4C cashflow reports for the quarter ended 31.03.2021.

This announcement is authorised for market release by the Board of Directors.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John Colli', written over a thin horizontal line.

John Colli
Company Secretary



ASX Announcement | 30 April 2021

QUARTERLY ACTIVITIES REPORT **FOR THE PERIOD ENDED 31 MARCH 2021**

KEY POINTS

- Maddington Waste Facility (**‘Maddington’**) strategy modified:
 - metal recycling commenced
 - focussing on higher margin waste streams; enabling improved profitability
- Maddington recorded revenue of \$2.54m for the period, a 126% increase on the prior period, resulting in EBITDA of \$208K from operations
- \$11m debt facility secured; enabling completion of the Gingin Landfill Facility (**‘Gingin’**) project
- Development of Gingin continuing with the HDPE liner certified for use

M8 Sustainable Limited (**‘M8S’** or **‘the Company’**) provides the following update on its activities for the quarter ended 31 March 2021.

MADDINGTON WASTE FACILITY

Maddington is a fully-permitted Construction & Demolition (C&D) and Commercial & Industrial (C&I) recycling facility with a combined annual licensed capacity of 500,000 tonnes per annum (tpa).

The Company has experienced a sustained period of growth at Maddington from June to December 2020.

However, since January 2021 M8S has shifted its focus at Maddington to higher margin areas; moving away from the recycling of mixed builders and mixed demolition waste component of C&D where margins were insufficient, to processing and recycling higher-value, lower-volume waste streams, with the primary objective of improving profitability.

M8S commenced metal recycling activities this quarter. Revenue of \$1.75m was achieved for metal recycling – a low volume, high value operation. Building the metal recycling business to this size has required:

- The injection of working capital by the Company. This has primarily been in the form of scrap steel inventory purchased from third party collectors that M8S aggregates and export customer debtors; and
- Some modifications at Maddington to accommodate the new activity this quarter

The strategic focus has been implemented as follows:

- Reduced focus on the demolition and mixed building waste market until regulatory changes are implemented
- Increased focus on operational cost reductions through temporary suspension of mixed builders waste recycling facility operations
- Increased focus on “clean” C&D recycling for production of high quality recycled civil products:
 - Processing of higher-value, lower-volume waste streams such as clean concrete, sand, brick and rubble
- Expansion into metal recycling, including aggregation, collection, processing and export

As a result, lower volumes of C&D and C&I waste were accepted during the quarter, with the change in strategy delivering improvements in operating margins.

The Company recorded revenue of \$2.54m for the quarter at Maddington, including \$1.75m metal recycling turnover; a 126% increase on the prior period for revenue from customers (excluding government grants and incentives). A positive EBITDA of \$208,000 was generated from Maddington operations (before corporate cost allocations).

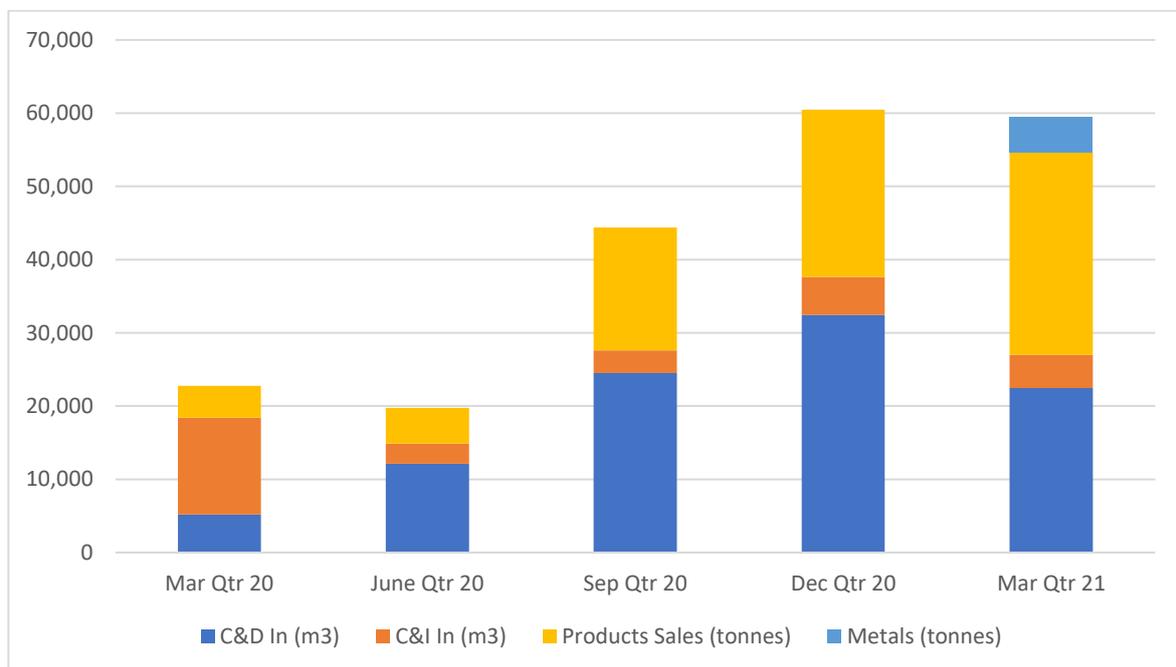


Figure 1: Quarterly Maddington Waste Revealal & Product Sales Volumes



Picture 1: Maddington Site Operations



Picture 2: Metal Recycling (Foreground/RHS) and C&D Recycling (Background/LHS)

GINGIN LANDFILL PROJECT

Work is progressing at developing the Company’s fully permitted landfill facility at Gingin with a licensed capacity of 150,000tpa.

Confirmation was received from independent testing that the required specifications for the cell liners had been satisfied. The 100-day mandatory testing period resulted in a pause on installation work for the cell liners. The testing was required under the Department of Water and Environmental Regulation (DWER) Works Approval.

Significant quantities of recycled road base have been transported from Maddington to Gingin to enable construction of the internal roads system.

SBANG Australia Pty Ltd, the Company’s construction contractor, is close to finalising an agreement for the installation of the cell liners.

It is now anticipated that the Gingin project will have a construction completion date of November 2021.

CORPORATE

The Company secured an \$11m debt facility from Remagen Capital Management Pty Ltd. The funds are to be utilised for Gingin construction, fund a \$3.5m bank guarantee for Gingin as required by regulatory authorities and for working capital purposes.

The following graph outlines the Group’s revenue growth, which includes R&D and other government grants in prior quarters.

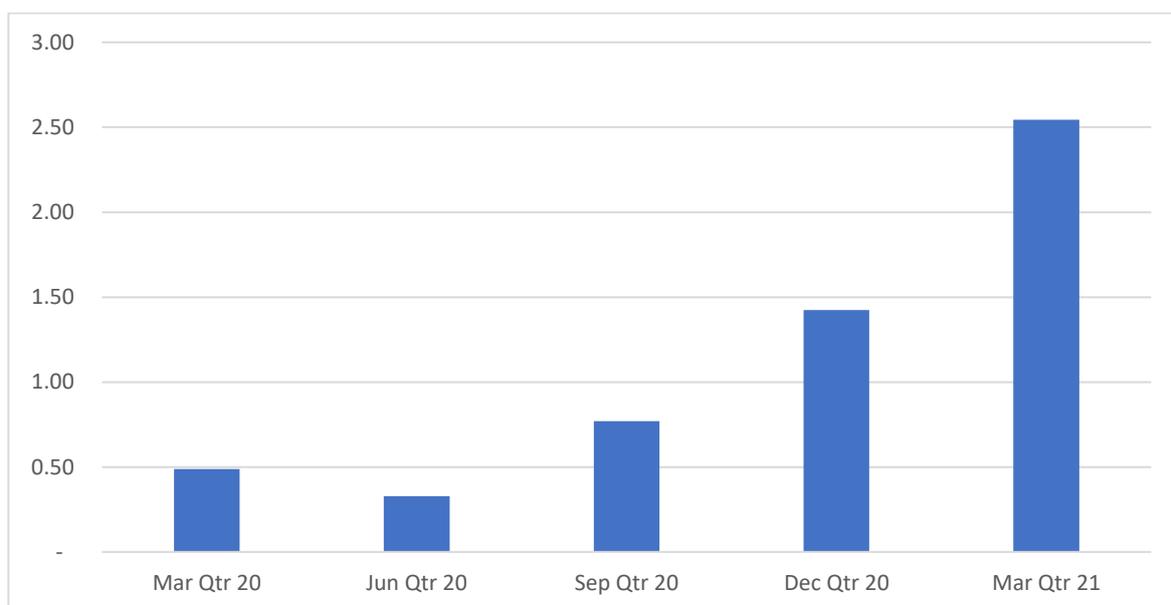


Figure 2: Quarterly Group Revenue (\$ '000,000)

A summary of cash flow during the reporting period is as follows:

Operating Activities: \$1,025k in total (net of receipts from customers, government grants and tax incentives).

- During the reporting quarter the Company commenced metal recycling activities, as outlined above, that resulted in incremental net cash used of \$289k (with working capital required). The remaining \$736k (prior quarter - \$507k) was from C&D and C&I activities. Compared to the prior quarter this is an increase of \$229k. However, the prior quarter included a one-off receipt of government grants of \$328k. As a result, C&I and C&D activities reported an improvement of \$99k in net cash used in operating activities (ex-government grants).

Receipts - \$2,252k

- \$2,232k – receipts from customers, consisting of:
 - \$1,410k from metal recycling customers and
 - \$822k from other waste customers
- \$20k – interest received

Payments - \$3,277k

- \$2,320k - manufacturing and operating costs consisting of:
 - \$1,840k for purchasing scrap metal collected by third parties, for processing and aggregation (including increased working capital for metal recycling establishment)
 - \$480k waste disposal, transport, equipment hire, utilities and repairs and maintenance costs (i.e. non-metal recycling)
- \$616k - employment costs including all on-costs
- \$209k - insurance costs, legal, IT, consultancy, variable outgoings on leased property and audit fees
- \$132k - interest paid for insurance funding and finance charges for mobile plant and equipment financing and other finance costs

Investing Activities: \$5,217k in total

- \$3,500k - bank guarantee provided to DWER as required for the Gingin landfill project
- \$947k - Gingin landfill activities including capital work in progress
- \$630k - capitalised interest expenses for Gingin landfill activities
- \$140k - purchase of mobile plant and equipment

Financing Activities: \$10,119k in total

Receipts - \$11,096k

- \$11,000k – receipts from Remagen loan
- \$96k – receipts from loan for mobile plant and equipment

Payments - \$977k

- \$451k – finance charges prepaid for Remagen loan
- \$214k – lease payments for mobile plant and equipment and a portion of Maddington lease rent recognised as financing cost as per AASB16
- \$200k – short-term loan provided to related party
- \$112k – short-term loan

Pursuant to ASX Listing Rule 4.7C.2 the following table shows a comparison of actual expenditure incurred during the reporting quarter for each item shown in the “use of funds” statement as contained in the Company’s prospectus which was lodged with the ASX on 9 December 2019.

	Full Subscription (as per prospectus) \$ '000	Percentage of funds	Actual spent Quarter ended 31.03.2021 \$ '000	Actual spent since ASX listing (11.12.2019 to 31.03.2021 \$ '000
Repayment of principal amount borrowed from SBANG	4400	22.6%		4400
Payment of interest on loan from SBANG	1223	6.3%		1255
Development of the Gingin Facility	9500	48.7%	1577	5670
Working Capital	2526	13.0%	1025	5880
Expenses of Offers	1851	9.5%		1898
Other capex		0.0%		597
	19500	100.0%	2602	19700

As at 31 March 2021, the Company has utilised all of the funds from the capital raising of \$19.5m. Any additional expenditure is now funded from the \$11m Remagen loan facility. Material variances above are explained as follows:

- **Development of Gingin Facility:** The Company is progressing with the ongoing development of the landfill facility. Limited activities occurred during the reporting quarter as the Company awaited the test results of the liner specifications – the results were received and further work was undertaken in relation to the construction of the internal roads system.
- **Working Capital:** During the reporting quarter, the Company has had a focus on the recycling of metal products - a low volume, high value business. As a consequence, this has placed a higher demand on working capital requirements, as outlined above.

It is with great sadness that the Company notes the sudden passing of Richard Rudas, the project director for Gingin. The Company acknowledges the significant contribution made by Richard over the past three and half years.

ENDS-

For further information please contact:

Tom Rudas, Managing Director, (08) 61409518

Michael Weir, Citadel-MAGNUS 0402 347 032, or,

Cameron Gilenko, Citadel-MAGNUS 0466 984 953

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

M8 Sustainable Limited

ABN

12 620 758 358

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months 31.03.21) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,232	4,538
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(2,320)	(3,701)
(c) advertising and marketing	0	0
(d) leased assets	0	0
(e) staff costs	(616)	(2,226)
(f) administration and corporate costs	(209)	(937)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	20	22
1.5 Interest and other costs of finance paid	(132)	(203)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	467
1.8 Other (IPO Related Expenses)	0	0
1.9 Net cash from / (used in) operating activities	(1,025)	(2,040)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(1,087)	(3,196)
(d) capitalised interest expense	(630)	(879)
(e) investments	0	0

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months 31.03.21) \$A'000
(f) intellectual property	0	0
(g) other non-current assets (Bank guarantee)	(3,500)	(3,500)
2.2 Proceeds from disposal of:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	0	0
(d) investments	0	0
0 (e) intellectual property	0	0
(f) other non-current assets	0	0
2.3 Cash flows from loans to other entities	0	0
2.4 Dividends received (see note 3)	0	0
2.5 Other (provide details if material)	0	0
2.6 Net cash from / (used in) investing activities	(5,217)	(7,575)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2 Proceeds from issue of convertible debt securities	0	0
3.3 Proceeds from exercise of options	0	0
3.4 Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5 Proceeds from borrowings	11,096	12,328
3.6 Repayment of borrowings	(326)	(950)
3.7 Transaction costs related to loans and borrowings	0	0
3.8 Dividends paid	0	0
3.9 Other	(651)	(795)
3.10 Net cash from / (used in) financing activities	10,119	10,583

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months 31.03.21) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,254	4,163
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,025)	(2,040)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,217)	(7,575)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,119	10,583
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	5,131	5,131

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	5,131	1,254
5.2 Call deposits	0	0
5.3 Bank overdrafts	0	0
5.4 Other (provide details)	0	0
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,131	1,254

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	
6.2 Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	4,000	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	4,000	0

7.5 **Unused financing facilities available at quarter end** 4,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

M8S entered into a loan agreement with M8 Holding Ltd (formally known as SBANG Sustainable Energies Limited), a Thailand based company for AUD 4,000,000 at the interest of 10% per annum. The termination date of the loan is 24 months after the first advance is made or such other date that is agreed upon by both parties in writing.

Shareholder approval for this facility was obtained at the Company's annual general meeting held on 5 June 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,025)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,131
8.3 Unused finance facilities available at quarter end (Item 7.5)	4,000
8.4 Total available funding (Item 8.2 + Item 8.3)	9,131
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not Applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not Applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not Applicable

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2021

Authorised by: the board of directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.