

30 July 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 30.06.2021

In accordance with Listing Rule 4.7B, please find attached M8 Sustainable Limited's Activities and Appendix 4C cashflow reports for the quarter ended 30.06.2021.

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

Yours sincerely



John Colli
Company Secretary

ASX Announcement | 30 July 2021

QUARTERLY ACTIVITIES REPORT **FOR THE PERIOD ENDED 30 JUNE 2021**

KEY POINTS

- Maddington Waste Facility ('Maddington') strategy modified, with the Company focused on higher margin Construction & Demolition (C&D) waste streams, reducing operating costs, limiting the volumes of waste sent to landfill and new waste streams
 - Higher focus on metals recycling
- Modified strategy delivering a positive impact with EBITDA increasing to positive \$0.705m at Maddington, which includes \$0.48m R&D grant, compared to positive \$0.208m in the prior period (before corporate cost allocations)
- Net cash from operating activities was positive \$0.29m this period (being negative \$0.19m excluding R&D), compared to negative \$1.02m in the prior period
- Total Revenue from Operations was \$3.97m, 55% higher than last quarter and included a \$0.53m R&D grant
- Fully underwritten 1 for 1 renounceable rights issue to raise \$4.7m
 - Funds to be used for progressive ramp up of metals activities at Maddington, complete construction of Gingin and supplement working capital
- Construction at Gingin progressing as planned with works currently on schedule
- M8S remains focused on the completion of Gingin, continued implementation of strategies aimed at diversifying revenue streams and margin improvement at Maddington, strengthening the balance sheet and delivering sustainable positive cash flows

M8 Sustainable Limited ("M8S" or "the Company") provides the following update on its activities for the quarter ended 30 June 2021.

MADDINGTON WASTE FACILITY

Maddington is a fully-permitted 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 growth at Maddington over the last 12 months; however, the ramp up of operations has been challenging within the current regulatory environment.

The Company made the strategic decision to pivot from recycling mixed builders waste component of C&D to taking in high value, low volume waste streams such as metals.

The decision has delivered a positive impact to operations, including with the Company recording revenue of \$3.97m for the quarter at Maddington, including \$2.83m from metals recycling turnover; a 34% increase on the prior period for revenue from customers (excluding government grants and incentives).

A positive EBITDA of \$0.705m, which included a \$0.48m R&D grant (net of fees), was generated from Maddington (before corporate cost allocations). This compares to a \$0.208m positive EBITDA for the March 2021 quarter.

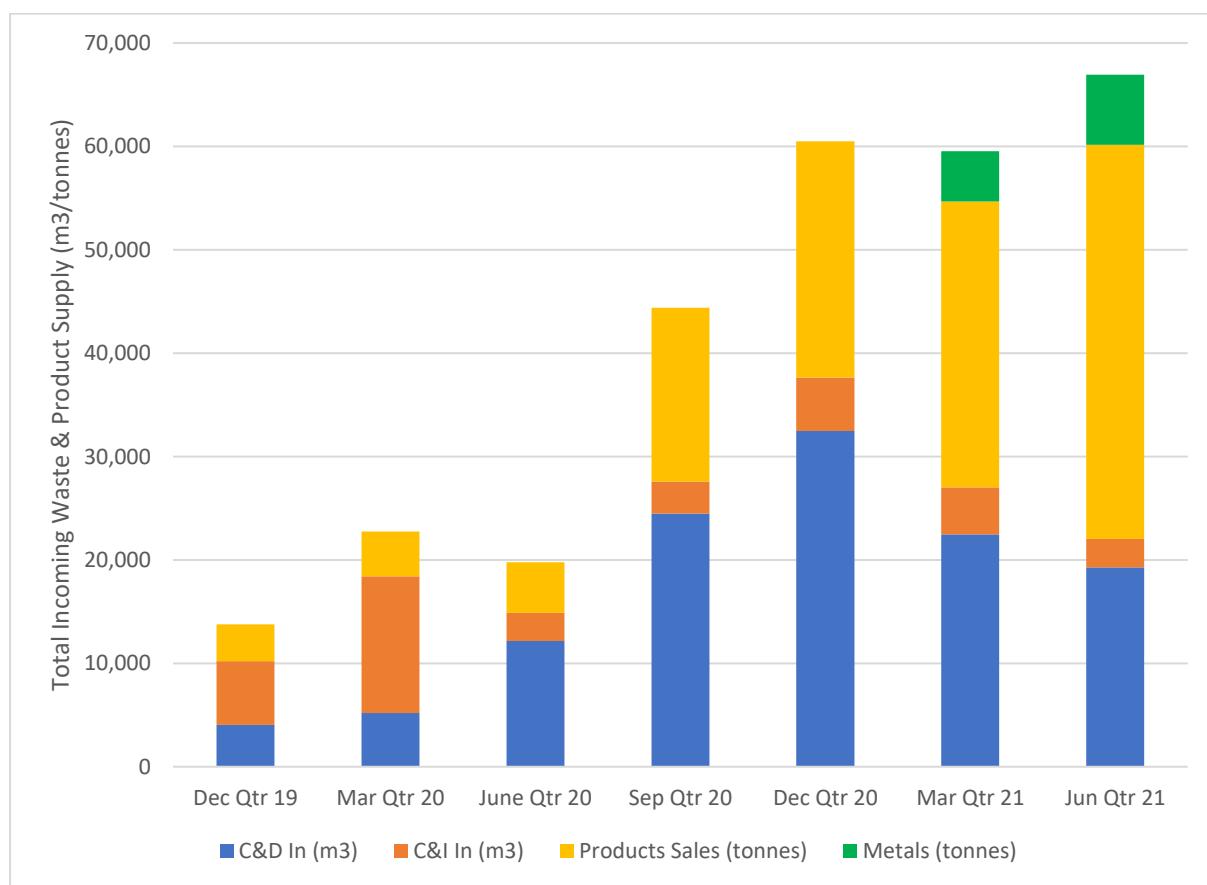


Figure 1: Quarterly Maddington Waste & Product Sales Volumes



Figure 2: Maddington Waste Facility

GINGIN LANDFILL PROJECT

Construction is progressing as planned at the Company's fully-permitted Gingin landfill facility.

Gingin has a licensed capacity of 150,000tpa.

SBANG Australia Pty Ltd, the Company's construction contractor, finalised an agreement with Doolee Constructions Pty Ltd during this period for the completion of Gingin construction.

Currently the Gingin project construction is anticipated to be completed in December 2021.



Figure 3: Gingin Landfill development

CORPORATE

M8S announced a fully underwritten 1 for 1 renounceable rights issue to raise \$4.7m.

The Company's major shareholder M8 Holding Limited (formerly SBANG Sustainable Energies Limited), committed to take up its full entitlement of approximately \$1.67m.

The funds raised will be used to expand metals activities at Maddington, complete construction of Gingin and to bolster the balance sheet by supplementing working capital.

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

Receipts - \$3.701m

- \$3.160m - receipts from customers
- \$530k - government grants
- \$12k - interest received

Payments - \$3.412m

- \$2.335m - manufacturing and operating costs
- \$436k - employment costs including all on-costs
- \$453k - insurance costs, legal, IT, consultancy, variable outgoings on leased property and audit fees
- \$189k - interest and other finance costs

Investing Activities: \$2.979m in total

- \$1.399m - purchase of plant and equipment including Gingin landfill capital work in progress

- \$780k - capitalised interest expenses for Gingin landfill activities
- \$800k - advances to contractors

Financing Activities: \$626k in total

Receipts - \$6k

- \$6k - receipts from related company loan

Payments - \$631k

- \$250k - loan to Minesite for metal operations
- \$179k - lease payments for mobile plant and equipment and a portion of Maddington lease rent recognised as financing cost as per AASB16
- \$100k - repayment of short-term loan
- \$60k - short-term loan provided to related party
- \$42k - repayment of mobile plant 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)	Percentage of funds \$ '000	Actual spent Quarter ended 30.06.2021 \$ '000	Actual spent since ASX listing (11.12.2019 to 30.06.2021 \$ '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%	2333	8003
Working Capital	2526	13.0%	289	6169
Expenses of Offers	1851	9.5%		1898
Other capex		0.0%		596
	19500	100.0%	2622	22322

As at 30 June 2021, the Company has utilised all of the funds from the capital raising of \$19.5m. Any additional expenditure is now funded from the \$11.0m Remagen loan facility.

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”)

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months 30.06.21) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,160	7,698
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(2,335)	(5,377)
(c) advertising and marketing	0	0
(d) leased assets	0	0
(e) staff costs	(436)	(2,699)
(f) administration and corporate costs	(453)	(1,389)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	12	29
1.5 Interest and other costs of finance paid	(189)	(1,024)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	530	997
1.8 Other (Advance to suppliers)	0	0
1.9 Net cash from / (used in) operating activities	289	(1,765)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(2,199)	(5,383)
(d) capitalised interest expense	(780)	(1,659)
(e) investments	0	0

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months 30.06.21) \$A'000
(f) intellectual property	0	0
(g) other non-current assets (Bank guarantee)		(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	(2,979)	(10,542)
 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		12,107
3.6 Repayment of borrowings	(322)	(1,160)
3.7 Transaction costs related to loans and borrowings	0	0
3.8 Dividends paid	0	0
3.9 Proceeds / (payments) from other loans	(304)	(989)
3.10 Net cash from / (used in) financing activities	(626)	9,958

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months 30.06.21) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,131	4,164
4.2	Net cash from / (used in) operating activities (item 1.9 above)	289	(1,765)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,979)	(10,542)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(626)	9,958
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	1,815	1,815
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,815	5,131
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)	1,815	5,131
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

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
4,000	0
0	0
0	0
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.

Undrawn loan facility

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.

Rights Issue

The Company announced a pro-rata renounceable entitlement issue of one Share for every Share held by shareholders registered as at 01 July 2021 (the Record Date) at an issue price of \$0.02 per share to raise \$4,664,596 (based on the number of shares on issue as at the date of the Prospectus).

The Offer is fully underwritten, and lead managed by Canaccord Genuity (Australia)Limited (AFSL 234666).

An application for quotation on the ASX of the shares issued under the offer will be made on 02 August 2021.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	289
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,815
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)	5,815
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	20

- 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 July 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.