



30 September 2021

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

By email

Dear Sir/Madam

FINANCIAL REPORT – YEAR ENDED 30 JUNE 2021

Please find attached M8 Sustainable Limited's audited Financial Report for the year ended 30 June 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

M8 Sustainable Limited
ACN 620 758 358
and its Controlled Entity

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

M8 SUSTAINABLE LIMITED

CORPORATE DIRECTORY

Directors

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

M8 Sustainable Limited shares are listed on the Australian Securities Exchange (ASX)

Auditors

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

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

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M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for M8 Sustainable Limited (the Company) and its controlled entity (the Group) for the year ended 30 June 2021.

1. DIRECTORS

Information on Directors

The directors of the Company at any time during or since the end of the financial year and up to the date of this report are:

Name, qualifications, independence status and special responsibilities

Experience and other directorships

Mark Robert Puzey

BCom, FCA, FAICD
Independent Non-executive Chairman
Chairman of Audit and Risk Committee
(Appointed 28 October 2020 as Chairman)

Mr Puzey was appointed as a director of the Company on 9 December 2019. He is a Chartered Accountant with over 30 years of experience with a broad base of financial skills in a variety of industries having spent 33 years with KPMG, including 18 years as a partner. Mr Puzey's role at KPMG included risk advisory, internal and external audit, IT advisory and management consulting experience in Australia, Asia and London.

He is currently Audit & Risk Committee Chair and Non-Executive Director of DUG Technology Ltd, and Non-Executive Director and One-Future Committee Chair of Gold Corporation.

Mr Puzey held the following other listed company directorships during the past 3 financial years:

DUG Technology Limited (ASX: DUG) – 9 June 2020 to current

Tomasz Jacek Rudas

BSc (Hons), MBA
Managing Director

Mr Rudas was appointed as a director of the Company on 15 August 2017. He 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 AneaCo Limited which under his leadership raised over \$100M in equity and infrastructure funding and was successfully listed on the ASX in 2007. He ceased to be a director of AneaCo Limited on 21 June 2011.

Mr Rudas was the Winner of the 2009 Ernst & Young Entrepreneur of the Year – Western Division in the Cleantech Category.

Mr Rudas held no other listed company directorships during the past 3 financial years.

Saithsiri Saksitthisereekul

MBA
Non-executive Director
Member of Audit and Risk Committee

Mr Saksitthisereekul was appointed as a director of the Company on 24 October 2018. He holds an Executive Master of Business Administration (NIDA) and with 11 years in the renewable energy sector is the CEO of M8 Holding Limited (M8H), formerly SBANG Sustainable Energies Limited. M8H 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.

Mr Saksitthisereekul held no other listed company directorships during the past 3 financial years.

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DIRECTORS' REPORT

Stephen David Hyams

BCom
Non-executive Director
Member of Audit and Risk Committee

Mr Hyams was appointed as a director of the Company on 6 November 2020. He holds a Bachelor of Commerce degree from the University of London and is the founding director of the consultancy firm, Sustainability in Practice Pty Ltd, which specializes in business development and major projects. He is experienced and highly reputable in the waste management sector having held previous roles as Group General Manager – Business Development for Toxfree Australia Ltd, Group General Manager (WA) for Transpacific Industries/Cleanaway Ltd and Director of Business Development Projects for Veolia Australia Pty Ltd.

Mr Hyams held no other listed company directorships during the past 3 financial years.

Robert McKinnon

FCCA, FGIA, FCG, MAICD
Independent Non-executive Chairman
Chairman of Nomination Committee
Member of Audit and Risk and Remuneration Committees
(Resigned 14 October 2020 as Chairman and Director)

Mr McKinnon was appointed as a director and Chairman of the Company on 9 December 2019. He has 40 years' experience in finance and general management positions in the light manufacturing and industrial sectors in Australia, New Zealand and Canada. He is the former managing director of Austal Ships and Fleetwood Corporation Limited and spent 28 years with Capral Aluminium (formerly Alcan Australia) in various financial and senior executive positions. Mr McKinnon is a non-executive director of Peet Limited and was previously chairman of the Esperance Port Authority and a non-executive director of Bankwest, Programmed Maintenance Services Limited and Tox Free Solutions Limited.

Mr McKinnon held the following other listed company directorships during the past 3 financial years:

Peet Limited (ASX: PPC) – May 2014 to current

Richard Peter Allen

BEng (Civil), MAICD
Independent Non-executive Director
Chairman of Remuneration Committee
Member of Audit and Risk and
Nomination Committees
(Resigned 14 October 2020 as Director)

Mr Allen was appointed as a director of the Company on 9 December 2019. He has held a wide range of senior business roles with over 30 years' experience as both Executive and Non-Executive Director in listed and private sectors in Australia, Asia and the Middle East.

Mr Allen has extensive experience in the international offshore marine oil and gas industries, having spent over 20 years working locally and internationally with Baroid Drilling Fluids Inc (acquired by Halliburton).

Mr Allen was the founder of Renewable Heat & Power Limited and its wholly owned subsidiary Plantation Energy Australia Pty Ltd which is one of the largest producers of biomass fuel pellets in the southern hemisphere.

Mr Allen was previously Non-Executive Chairman of Mobilarm Limited and Managing Director and subsequently a Non-Executive Director of Tox Free Solutions Limited.

Mr Allen held no other listed company directorships during the past 3 financial years.

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

Directors' Interests in securities of the Company

As at the date of this report, particulars of the relevant interest of each director in the securities of the Company are as follows:

Director	Number of Ordinary Shares	Number of Performance Rights (2)
M Puzey	1,050,000	300,000
T Rudas	2	1,500,000
S Saksitthisereekul (1)	166,430,076	300,000
S Hyams	-	7,500,000

(1) Mr Saksitthisereekul is the managing director and a shareholder of M8 Holding Limited (formerly Sbang Sustainable Energies Limited) which holds 166,430,076 ordinary shares in the Company. Of these shares, 59,357,999 were released from escrow on 11 December 2020 and 23,857,039 continue to be escrowed until 11 December 2021.

(2) In November 2019, upon listing of the Company, 6 classes (A to F) of performance rights (details of which are set out in section 10.10) were issued to the then directors and executives of the Company. During the financial year, the directors determined that all classes of performance rights had no probability of achieving the requisite benchmarks. Accordingly, no value has been ascribed to the performance rights.

Of the 6 classes of performance rights, classes A, C and E have been forfeited as the requisite benchmarks were not achieved within the stipulated timeframe which has now expired.

With respect to classes B, D and F, whilst highly unlikely that the benchmarks established will be met, the time frame to achieve those benchmarks has not yet expired. Accordingly, classes B, D and F of the performance rights have not lapsed and as at the end of the reporting year have not been forfeited.

During the 2020/21 financial year and as the date of this report no director has declared any interest in a contract or proposed contract with the Company, the nature of which would be required to be reported in accordance with subsection 300(11)(d) of the Corporations Act 2001 except as follows:

- Mr Rudas has entered into an employment contract with the Company
- Mr Hyams has entered into a consultancy agreement with the Company.

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 2021 and the number of meetings attended by each director:

	Board of Directors			Audit & Risk Committee			Remuneration Committee (2)		
	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended	Held	Eligible to Attend	Attended
M Puzey	17	17	17	7	7	7	1	1	1
T Rudas	17	17	16	-	-	-	-	-	-
S Saksitthisereekul	17	17	17	7	2	2	1	1	1
S Hyams	17	13	13	7	2	2			
R McKinnon	17	3	3	7	5	5	1	1	1
R Allen	17	3	3	7	5	5	1	1	1

Note: (1) Directors may pass resolutions in writing without a formal meeting being convened. Such meetings are deemed by the Company's constitution to be meetings. The above table does not include such meetings.
 (2) Following the resignations of Messrs McKinnon and Allan as Directors, the role and responsibilities of the Remuneration and Nomination committees were assumed by the full Board.

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DIRECTORS' REPORT

2. PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was receiving and recycling of metals, commercial & industrial (C&I) and construction & demolition (C&D) waste at its Maddington Waste Facility. Since January 2021, the Company 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. This also included metals processing activities.

The Company also provided operations and maintenance services to the Brockwaste recycling facility at Shenton Park which is owned by Star Shenton Energy Pty Ltd.

The Group continued the development and construction of the Gingin landfill facility.

3. CONSOLIDATED RESULTS

	Year ended 30 June 2021	Year ended 30 June 2020
Revenue from contracts with customers	8,041,048	1,982,576
Loss before income tax	(10,464,942)	(14,466,979)
Income tax benefit	-	672,841
Loss for the year from continuing operations	(10,464,942)	(13,794,138)

4. DIVIDEND PAID OR RECOMMENDED

During the financial year, the Group did not declare or pay any dividends (2020: Nil).

5. REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Operations

For the financial year ended 30 June 2021, the Group incurred a loss after tax from ordinary activities of \$10,464,942 (\$13,794,138 for the prior year). This result was impacted by recording an impairment charge of \$6,981,753 at the half year (2020: \$2,245,501).

The Company experienced a sustained period of growth at Maddington during the first half of the reporting period in the processing of C&I and C&D waste.

However, since January 2021, in light of the challenges faced in the C&I and C&D waste sectors arising from a lack of support and compliance enforcement within the regulatory framework, the Company 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. The primary objective of this shift was to improve profitability.

The Company also commenced metals recycling activities in the second half. This required the injection of working capital by the Company and some modifications at Maddington to accommodate the new activity. Revenue of \$4,578,455 was achieved from metals recycling – a low volume, high value operation.

In the latter part of the reporting period, the Company's strategic aim from an operational perspective was 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 metals recycling, including aggregation, processing and export.

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DIRECTORS' REPORT

The Company continued to monitor the COVID-19 crisis which had limited consequences on the Company's operations for the reporting period. A reduction in Directors fees and executive salaries of 10% continued until November 2020 with an additional 10% deferment in place until 30 June 2021. Since the end of the reporting period, the deferment has ceased.

Corporate

Board Changes

The following changes to the composition of the board of the Company occurred during the reporting period:

- 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 \$248,810 over a 36-month term to assist with the purchase of a DAF truck, hook lift and tipping trailer
- In November 2020 a loan facility with Scottish Pacific Business Finance Pty Ltd for an amount of \$713,000 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 \$75,000 over a 48-month term to assist with the purchase of a dust suppression system.

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 Company's lease for the Maddington Waste Facility (ii) security interest over all of the present and future property assets of the Company and its subsidiary, Fernview Environmental Pty Ltd
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.

Renounceable Rights Issue

On 24 June 2021, the Company announced it was undertaking a capital raising through a pro-rata renounceable entitlement offer. The key terms of the entitlement offer were as follows:

- renounceable offer of one new share for every one share held by existing eligible shareholders
- issue price of \$0.02 per share
- offer to raise \$4,664,597
- offer fully underwritten by Canaccord Genuity (Australia) Limited who also acted as the lead manager
- largest shareholder, M8 Holding Limited (M8H), committed to its full entitlement of \$1,664,301
- eligible shareholders could apply for additional shares over and above their entitlements in accordance with the top-up facility

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The C&I and C&D waste sector has seen some improvement, it neither the less remains challenging in terms of pricing expected by customers compared to east coast markets such as Sydney. However, with the impending opening of the Gingin landfill facility in early 2022, the Company is confident it will be able to significantly increase volumes of C&D and C&I waste being accepted at the Maddington site, as it will be in a much better position to manage residual disposal costs as well as direct more waste to its landfill facility. Additionally, in order to further improve pricing of incoming waste, the Group established, post reporting period, its own skip bin collection operations – Access Waste, giving the company direct access to waste generators. Coupled with increased C&I waste volumes, the Company is confident that the landfill facility, which is currently under construction, will have adequate input from the commencement of its operations. In January 2021, the Company commenced operating in the recycled metals sector. With access to adequate working capital and the advantageous Maddington location, it is anticipated that it will assist the Group in achieving higher volumes, revenue and profitability.

7. EARNINGS PER SHARE

Basic loss per share for the year ended 30 June 2021 was \$0.04. This compares to a basic loss from per share of \$0.07 for the previous year.

8. SIGNIFICANT CHANGES IN THE COMPANY'S 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.

9. EVENTS SUBSEQUENT TO REPORTING DATE

With the exception of the transactions noted below, no material transactions have occurred since 30 June 2021 and the date of the approval of the financial statements which the Directors consider require disclosure.

On 2 August 2021, the Company successfully completed the pro-rata renounceable entitlement issue which was announced on 24 June 2021. 233,229,835 new shares were issued under the pro-rata renounceable entitlement issue raising \$4,664,597, and 4,000,000 were issued to the underwriter.

On 17 September 2021, the Company announced the launch of Access Waste, a commercial and residential skip bin collection business. This initiative also involved an investment in a 50/50 joint venture company, iHUB Technologies Pty Ltd (iHUB) of \$19,500 each month for an 18-month period to secure the rights to the marketing and logistics technology. iHUB will provide the software platform to support bookings for Access Waste.

10. REMUNERATION REPORT – Audited

The Remuneration Report contains the following sections:

- 10.1 Directors and Executive Key Management Personnel (KMPs) Covered in this Report
- 10.2 Remuneration Governance
- 10.3 Use of Remuneration Consultants
- 10.4 Overview of Company Performance
- 10.5 Executive Remuneration Strategy and Framework
- 10.6 FY21 Performance Incentive Outcomes for Executives
- 10.7 FY21 and FY20 Executive Remuneration Paid and Accrued
- 10.8 Service Contracts – Executives
- 10.9 Non-Executive Directors' Remuneration
- 10.10 Other – KMP Disclosures

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

10.1 Directors and Executive KMPs Covered in this Report

Name	Position
Directors	
Mark Puzey	Non-Executive Chairman (appointed Chairman 28 October 2020)
Tomasz Rudas	Managing Director (MD)
Saithsiri Saksitthisereekul	Non-Executive Director
Stephen Hyams	Non-Executive Director (appointed 6 November 2020)
Robert McKinnon	Non-Executive Chairman (resigned 14 October 2020)
Richard Allen	Non-Executive Director (resigned 14 October 2020)
Other executive KMPs	
Vijay Joshi	Chief Financial Officer (CFO)
Damien Flugge	General Manager
John Colli	Company Secretary

10.2 Remuneration Governance

In June 2020, the Company established a separate Remuneration Committee with a formal charter. However, following the resignations of Messrs McKinnon and Allen in October 2020 it was determined that the role and responsibilities of the Remuneration Committee would be fulfilled by the full Board in light of the relatively small size of the board and the number of independent directors.

The formal charter that was established for the Remuneration Committee still provides the guiding principles for determining remuneration matters.

The Corporate Governance Plan and the Remuneration Charter can be viewed on the Group's website www.m8sustainable.com.au under the tab – Investors, Corporate Governance.

10.3 Use of Remuneration Consultants

During the latter part of the reporting year, external remuneration consultants, BDO Remuneration and Reward (BDO) were engaged to assist the Company in developing an executive share incentive plan as well as clarifying aspects of the employment contracts for certain executives. This matter is still a work in progress.

10.4 Overview of Company Performance

The table below sets out information about the Group's earnings and movements in share price from incorporation and including the current financial year.

	2021	2020	2019	2018
Loss after income tax (\$)	10,464,942	13,794,138	7,230,316	1,779,198
Share price at financial year end (\$)	0.02	0.09	N/A	N/A

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

10.5 Executive Remuneration Strategy and Framework

The objective of the Company's executive remuneration framework is to ensure that remuneration for performance is competitive and appropriate for the results delivered. The framework aligns executive remuneration with achievement of strategic objectives and the creation of value for shareholders and conforms to market practice for delivery of reward.

The Board ensures that executive remuneration satisfies the following key criteria for good reward governance practices:

- competitive and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

As a relatively recent listed entity, the Company is still in the process of developing a more comprehensive remuneration framework that will be market competitive and complementary to the reward strategy of the organisation. In doing so, it will be referenced to company performance that will encourage long term growth.

The proposed framework will provide a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority within the Group, the balance of this mix will shift to a higher proportion of 'at risk' rewards.

The current executive remuneration framework consists of two key elements:

- Fixed Annual Remuneration (FAR)
- Performance Incentive Remuneration (PIR)

PIR consists of Performance Rights issued by the Company on 4 December 2019 (refer to section 10.10).

The Company's remuneration policy is to position FAR at the 50th percentile of the market data. A benchmarking review is planned for FY22 to ensure the KMPs are appropriately remunerated.

The Company continued to monitor the COVID-19 crisis. A reduction in executive salaries of 10% continued until November 2020 with an additional 10% deferment in place until 30 June 2021. Since the end of the reporting period, the deferment has ceased.

10.6 FY21 Performance Incentive Outcomes for Executives

PIR for Executives consists of Performance Rights issued by the Company on 4 December 2019. Details of these rights are set out in section 10.10.

In November 2019, upon listing of the Company, 6 classes (A to F) of performance rights (details of which are set out in section 10.10) were issued to the then directors and executives of the Company. During the 2021/22 financial year, the directors determined that all classes of performance rights had no probability of achieving the requisite benchmarks. Accordingly, no value has been ascribed to the performance rights. Of the 6 classes of performance rights, classes A, C and E have been forfeited as the requisite benchmarks were not achieved within the stipulated timeframe which has now expired. With respect to classes B, D and F, whilst highly unlikely that the benchmarks established will be met, the time frame to achieve those benchmarks has not yet expired. Accordingly, classes B, D and F of the performance rights have not lapsed and as at the end of the reporting year have not been forfeited.

As mentioned previously in this report, the Company is currently liaising with external remuneration consultants to develop a more comprehensive PIR mechanism for Executives.

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

10.7 FY21 and FY20 Executive Remuneration Paid and Accrued

Details of Executive Remuneration for the year ended 30 June 2021 and 2020 are set out below:

		Short-term Benefits			Post-employment benefits	Long-term benefits	Share-based payment	Sub Total	Performance related benefit %	Bonuses rescinded ⁵	Indemnity cancelled ⁶	Total
		Salary and fees	Bonus	Non-monetary benefits ¹	Super-annuation ²	Leave ³	Rights ⁴					
		\$	\$	\$	\$	\$	\$		\$	\$	\$	
Executive Director												
Tomasz Rudas – Managing Director	2021	246,406	-	2,850	23,523	15,001	(87,385)	200,395	(44)	-	-	200,395
	2020	243,923	-	2,850	21,003	19,238	87,385	374,399	23	(357,394)	(246,157)	(229,152)
Other Executive KMP												
Damien Flugge – General Manager	2021	193,077	-	22,471	19,881	17,079	(43,693)	208,815	(21)	-	-	208,815
	2020	196,039	-	22,471	18,927	15,395	43,693	296,525	15	(357,393)	(246,157)	(307,025)
Vijay Joshi – Chief Financial Officer	2021	193,077	-	19,222	19,304	28,819	(59,713)	200,709	(30)	-	-	200,709
	2020	196,039	-	19,222	18,927	15,395	59,713	309,296	19	(357,393)	-	(48,097)
John Colli – Company Secretary	2021	193,077	-	-	18,342	15,141	(2,913)	223,647	(1)	-	-	223,647
	2020	176,808	-	-	17,100	15,395	2,913	212,216	1	-	-	212,216
Total	2021	825,637	-	44,543	81,050	76,040	(193,704)	833,566		-	-	833,566
	2020	812,809	-	44,543	75,957	65,423	193,704	1,192,436		(1,072,180)	(492,314)	(372,058)

Premiums in respect of the Directors and Officers insurance policy are not included above, as the policy does not specify the premium paid in respect of individual Directors and officers.

¹ Other and non-monetary benefits include fringe benefits tax relating to fully maintained Company motor vehicles.

² Superannuation includes the values paid and accrued relating to salary.

³ Represents the value of leave earned during the year.

⁴ In November 2019, upon listing of the Company, 6 classes (A to F) of performance rights (details of which are set out in section 10.10) were issued to the then directors and executives of the Company. During the 2021/22 financial year, the directors determined that all classes of performance rights had no probability of achieving the requisite benchmarks. Accordingly, no value has been ascribed to the performance rights. Of the 6 classes of performance rights, classes A, C and E have been forfeited as the requisite benchmarks were not achieved within the stipulated timeframe which has now expired. With respect to classes B, D and F, whilst highly unlikely that the benchmarks established will be met, the time frame to achieve those benchmarks has not yet expired. Accordingly, classes B, D and F of the performance rights have not lapsed and as at the end of the reporting year have not been forfeited.

⁵ The cost of bonus shares and cash bonuses which were rescinded.

⁶ Director and Executive indemnity was cancelled.

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

10.8 Service Contracts – Executives

Remuneration and other forms of employment for the MD, CFO and other Executive KMPs are formalised in service contracts. Each of these contracts also provides for performance related incentives and other benefits. Other major provisions of the contracts relating to remuneration are set out below.

All contracts with Executives may be terminated without cause early by either party providing notice, subject to termination payments detailed below:

Name	Contract Term	Employee notice period	Employer notice period	Base salary ²	Termination benefit ³
Tomasz Rudas	5 years ¹	N/A	6 months	\$250,000	\$137,000
Vijay Joshi	5 years ¹	N/A	6 months	\$200,000	\$110,000
Damien Flugge	5 years ¹	N/A	6 months	\$200,000	\$110,000
John Colli	No fixed term	3 months	3 months	\$200,000	\$ 55,000

¹ The contract commenced on 1 September 2017 for a term of 5 years and may be extended by the Company for a further 5 years by giving notice at any time during a 2-year period prior to the expiry of the initial 5-year term.

² Base salaries (including FAR) are quoted for the year ended 30 June 2021. They are reviewed annually by the Board and exclude superannuation.

³ Termination benefits are payable on early termination by the Group, other than for gross misconduct. Unless otherwise indicated they are equal to base salary (including FAR rights and superannuation) for the notice period.

10.9 Non-Executive Directors' Remuneration

On appointment to the Board, all Non-Executive Directors enter into a service contract with the Group in the form of a letter of appointment. The contract summarises the Board's policies and terms, including compensation relevant to the Director.

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board.

The Company's remuneration policy is to position annual remuneration at the 50th percentile of the market data.

For the year ended 30 June 2021, fees, which include committee fees (if any) and Superannuation contributions required under the Australian superannuation guarantee legislation, were as follows:

- \$150,000 pa for the Chairman; and
- \$75,000 pa for Non-Executive Directors, except for Mr Hyams who receives \$60,000 pa plus a yearly allocation of 750,000 fully paid ordinary shares in the Company including tax expenses associated with the share allocation. The issue of shares to Mr Hyams requires the prior approval of the Company's shareholders.

Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$500,000 per annum and was approved by shareholders at a General Meeting held on 26 November 2019.

A reduction in Directors fees of 10% continued until November 2020 with an additional 10% deferment in place until 30 June 2021. Since the end of the reporting period, the deferment has ceased.

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

10.9 Non-Executive Directors' Remuneration (continued)

Details of Non-Executive Directors' remuneration for the years ended 30 June 2021 and 2020 are set out below:

		Short-term benefits		Post-employment benefits	Share-based payment	Performance related benefit	
		Fees	Consultancy Fees ¹	Super-Annuation ²	Rights ³	Total	
		\$	\$	\$	\$	\$	%
Non-Executive Directors							
Mark Puzey – Chairman (appointed Chairman 28 October 2020)	2021	109,213	-	10,375	(17,477)	102,111	(17)
	2020	33,266	56,030	3,160	17,477	109,933	16
Saithsiri Saksitthisereekul	2021	72,404	-	-	(17,477)	54,927	(32)
	2020	36,369	-	-	17,477	53,846	32
Steve Hyams (appointed 6 November 2020) ⁴	2021	33,118	120,000	3,146	41,098	197,362	21
	2020	-	-	-	-	-	-
Robert McKinnon (resigned 14 October 2020)	2021	41,322	-	3,926	(23,303)	21,945	(106)
	2020	66,532	17,500	6,321	23,303	113,656	21
Richard Allen (resigned 14 October 2020)	2021	20,661	-	1,963	(17,477)	5,147	(340)
	2020	33,925	19,226	3,223	17,477	73,851	24
Total	2021	276,718	120,000	19,410	(34,636)	381,492	
	2020	170,092	92,756	12,704	75,734	351,286	

¹ Mr Hyams entered into a consultancy agreement with the Company in November 2020. The key terms of the agreement are as follows:

- consultancy fee of \$15,000 (excluding GST) per month.
- the payment of a cash or non-cash performance-based bonus based on the achievement of key performance indicators as determined by the Company from time to time.
- The termination provisions of the consultancy agreement between the Company and Mr Hyams are:
 - the Company may terminate the agreement within the first year by giving the greater of four months and the number of months which remain in the first year, notice to Mr Hyams. After the first year the notice period shall be four months.
 - Mr Hyams may terminate the agreement within the first year by giving the greater of 4 months and the number of months which remain in the first year, notice to the Company. After the first year the notice period shall be four months.

² Superannuation contributions are made on behalf of Non-Executive Directors to satisfy the Group's obligations under applicable superannuation guarantee legislation. Directors fees are inclusive of superannuation contributions.

³ In November 2019, upon listing of the Company, 6 classes (A to F) of performance rights (details of which are set out in section 10.10) were issued to the then directors and executives of the Company. During the 2021/22 financial year, the directors determined that all classes of performance rights had no probability of achieving the requisite benchmarks. Accordingly, no value has been ascribed to the performance rights. Of the 6 classes of performance rights, classes A, C and E have been forfeited as the requisite benchmarks were not achieved within the stipulated timeframe which has now expired. With respect to classes B, D and F, whilst highly unlikely that the benchmarks established will be met, the time frame to achieve those benchmarks has not yet expired. Accordingly, classes B, D and F of the performance rights have not lapsed and as at the end of the reporting year have not been forfeited.

⁴ Pursuant to his appointment terms, Mr Hyams is entitled to a yearly allocation of 750,000 fully paid ordinary share in the Company, subject to shareholder approval, including tax expenses associated with the share allocation. This entitlement has been designed as a method of retention and has no associated performance obligations.

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

10.10 Other – KMP Disclosures

KMP – Option Holdings

No KMPs held any options for the financial year ended 30 June 2021.

KMP – Shareholdings

The movement during the financial year ended 30 June 2021 in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Name	Held at 1 July 2020	Purchases ²	Conversion of Performance Rights	Sales/ Transferred	Held at Resignation/ Retirement	Held at 30 June 2021
Robert McKinnon (resigned 14 October 2020)	-	-	-	-	-	N/A
Tomasz Rudas	2	-	-	-	-	2
Richard Allen (resigned 14 October 2020)	-	-	-	-	-	N/A
Mark Puzey	-	525,000	-	-	-	525,000
Saithsiri Saksitthisereekul ¹	83,215,038	-	-	-	-	83,215,038
Steve Hyams	-	-	-	-	-	-
Damien Flugge	98	-	-	-	-	98
Vijay Joshi	-	124,000	-	-	-	124,000
John Colli	15,000	100,000	-	-	-	115,000

¹ Mr Saksitthisereekul is the managing director and a shareholder of M8H which holds 83,215,038 ordinary shares in the Company. Shares held by M8H are escrowed as follows – 59,357,999 until 11 December 2020 and 23,857,039 until 11 December 2021.

² Purchased through open trading from the Australian Securities Exchange (ASX).

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

10.10 Other – KMPs Disclosures (continued)

KMPs – Rights Holdings

Name	Held at 1 July 2020	Issued	Conversion of Performance Rights	Sales/ Transferred	Held at Resignation/ Retirement	Forfeited/ Lapsed ¹	Held at 30 June 2021 (Unvested)
Robert McKinnon (resigned 14 October 2020)	800,000	-	-	-	800,000	400,000 ³	Not applicable
Tomasz Rudas	3,000,000	-	-	-	-	1,500,000	1,500,000
Richard Allen (resigned 14 October 2020)	600,000	-	-	-	600,000	300,000 ³	Not applicable
Mark Puzey	600,000	-	-	-	-	300,000	300,000
Saithsiri Saksitthisereekul	600,000	-	-	-	-	300,000	300,000
Stephen Hyams ²	-	7,500,000	-	-	-	-	7,500,000
Damien Flugge	1,500,000	-	-	-	-	750,000	750,000
Vijay Joshi	2,050,000	-	-	-	-	1,025,000	1,025,000
John Colli	100,000	-	-	-	-	50,000	50,000

¹ In November 2019, upon listing of the Company, 6 classes (A to F) of performance rights (details of which are set out in section 10.10) were issued to the then directors and executives of the Company. During the 2021/22 financial year, the directors determined that all classes of performance rights had no probability of achieving the requisite benchmarks. Accordingly, no value has been ascribed to the performance rights. Of the 6 classes of performance rights, classes A, C and E have been forfeited as the requisite benchmarks were not achieved within the stipulated timeframe which has now expired. With respect to classes B, D and F, whilst highly unlikely that the benchmarks established will be met, the time frame to achieve those benchmarks has not yet expired. Accordingly, classes B, D and F of the performance rights have not lapsed and as at the end of the reporting year have not been forfeited.

² Pursuant to his appointment terms, Mr Hyams is entitled to a yearly allocation of 750,000 fully paid ordinary share in the Company, subject to shareholder approval, including tax expenses associated with the share allocation. The number of rights has been calculated on an anticipated director's tenure of 10 years. This entitlement has been designed as a method of retention and has no associated performance obligations.

³ Rights forfeited subsequent to resigning as Director.

For each grant of Performance Rights for a right to acquire ordinary shares, the details of the award are set out in the table below. The minimum value of the Rights yet to vest is nil, as the Rights will be forfeited if the vesting conditions are not met. The maximum value of the Rights yet to vest is determined as the amount of the grant date fair value that is yet to be expensed.

M8 SUSTAINABLE LIMITED DIRECTORS' REPORT

KMPs – Rights

Name	Date granted ¹	Number granted	2021 Number allocated	Fair value at date of grant (\$) ²	Vested %	2021 Vested number	2021 Forfeited/ Lapsed ³ %	Number of Rights which may vest to shares	Estimated maximum value yet to be recognised (\$)
FY 21									
Directors									
R McKinnon ⁴	26.11.2019	800,000		0.20	-	-	50	-	-
T Rudas	26.11.2019	3,000,000		0.20	-	-	50	1,500,000	300,000
R Allen ⁴	26.11.2019	600,000		0.20	-	-	50	-	-
M Puzey	26.11.2019	600,000		0.20	-	-	50	300,000	60,000
S Saksitthisereekul	26.11.2019	600,000		0.20	-	-	50	300,000	60,000
S Hyams ⁵	N/A		7,500,000	0.02	-	-	-	7,500,000	121,601
Executive KMP									
D Flugge	26.11.2019	1,500,000		0.20	-	-	50	750,000	150,000
V Joshi	04.12.2019	2,050,000		0.20	-	-	50	1,025,000	205,000
J Colli	04.12.2019	100,000		0.20	-	-	50	50,000	10,000

¹ Grant of Rights to directors was approved by shareholders at the general meeting held on 26 November 2019. The Rights to Executive KMPs were allotted on 4 December 2019 prior to the Company's listing on the ASX.

² The grant and allotment of Rights occurred prior to the Company's listing on the ASX on 11 December 2019. The estimated fair value of each right at date of issue was \$0.20. The Company's share price on listing was \$0.20.

³ In November 2019, upon listing of the Company, 6 classes (A to F) of performance rights (details of which are set out in section 10.10) were issued to the then directors and executives of the Company. During the 2021/22 financial year, the directors determined that all classes of performance rights had no probability of achieving the requisite benchmarks. Accordingly, no value has been ascribed to the performance rights. Of the 6 classes of performance rights, classes A, C and E have been forfeited as the requisite benchmarks were not achieved within the stipulated timeframe which has now expired. With respect to classes B, D and F, whilst highly unlikely that the benchmarks established will be met, the time frame to achieve those benchmarks has not yet expired. Accordingly, classes B, D and F of the performance rights have not lapsed and as at the end of the reporting year have not been forfeited. Classes B, D, and F are due to expire on 11 December 2021.

⁴ Resigned 14 October 2020.

⁵ Pursuant to his appointment terms, Mr Hyams is entitled to a yearly allocation of 750,000 fully paid ordinary share in the Company, subject to annual shareholder approval, including tax expenses associated with the share allocation. The estimated grant date fair value is based on the 30 June 2021 closing price of \$0.02 per share, which will be remeasured upon shareholder approval. The number of rights has been calculated on an anticipated director's tenure of 10 years.

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

KMPs – Rights (continued)

Each KMP received an equal proportion of their total right between the six classes which are detailed below. The milestones that are required to be achieved for each Performance Right in the relevant class to be converted into one share at the election of the KMP for no consideration are as follows:

Class A Performance Rights: Performance Rights will convert into Shares upon the Company achieving, in relation to its existing business and assets at the date the Company is admitted to the Official List of ASX (Listing Date), an operating revenue of at least \$20,000,000 in the first 12 months following issue.

Class B Performance Rights: Performance Rights will convert into Shares upon the Company achieving, in relation to its existing business and assets at the Listing Date, an operating revenue of at least \$40,000,000 in the period commencing on the date which is 12 months following issue and ending on the date which is 24 months following issue.

Class C Performance Rights: Performance Rights will convert into Shares upon the Company achieving, in relation to its existing business and assets at the Listing Date, earnings before interest, tax, depreciation and amortisation of at least \$5,000,000 in the first 12 months following issue.

Class D Performance Rights: Performance Rights will convert into Shares upon the Company achieving, in relation to its existing business and assets at the Listing Date, earnings before interest, tax, depreciation and amortisation of at least \$12,500,000 in the period commencing on the date which is 12 months following issue and ending on the date which is 24 months following issue.

Class E Performance Rights: Performance Rights will convert into Shares upon the Maddington Facility operating at an annual rate of 210,000 tonnes and/or m3 in the first 12 months following issue.

Class F Performance Rights: Performance Rights will convert into Shares upon the Gingin Facility being fully licensed and operational in the first 24 months following issue.

The profitable growth of the Group and the development of the Gingin landfill facility were identified as key performance measures to enhance shareholder value.

Loans to KMPs

No KMP was provided with a loan by the Company for the year ended 30 June 2021.

End of the Remuneration Report – Audited

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

11. ENVIRONMENTAL REGULATIONS AND PERFORMANCE

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.

12. PROCEEDINGS ON BEHALF OF THE GROUP

No proceedings have been brought on behalf of the Group nor has any application been made in respect of the Group under Section 236 of the Corporations Act 2001.

13. SHARES OPTIONS

No share options were issued for the financial year. Subsequent to year end up to the date of this report, the Company has issued 10,000,000 options to acquire fully paid ordinary shares in the Company to Canaccord Genuity (Australia) Limited pursuant to the prospectus dated 25 June 2021 for the pro-rata renounceable entitlement issue. The options have an exercise price of \$0.04 with an expiry date of 2 August 2024.

14. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified all directors of the Company to the maximum extent of the law for liabilities and costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

15. CORPORATE GOVERNANCE

The Statement of Corporate Governance Practices is disclosed on the Company's website <https://m8sustainable.com.au/> under the tab Investors – Corporate Governance.

16. COMPANY SECRETARY

Mr. John Colli was appointed to the position of Company Secretary on 10 December 2018. Mr Colli has over 31 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.

17. 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.

18. NON-AUDIT SERVICES

Details of the amounts paid or payable to the external auditor of the Group, Ernst & Young, for audit and non-audit services provided during the year are disclosed in Note 27 to the Financial Statements.

The Directors are satisfied that the provision of non-audit services by the external auditor during the financial year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved by the Board to ensure that they do not impact the integrity and objectivity of the auditor.
- all non-audit services were subject to the corporate governance processes adopted by the Group and have been reviewed to ensure that they do not affect the integrity or objectivity of the auditor.

M8 SUSTAINABLE LIMITED

DIRECTORS' REPORT

19. 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 26 of this financial report.

Signed in accordance with a resolution of the Directors.



Tomasz Rudas
Managing Director

Dated this 30th day of September 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 standards and giving a true and fair view of the financial position of the Group as at 30 June 2021 and performance of the Group for the financial year ended 30 June 2021;
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; and
3. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a)(i).

This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

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



Tomasz Rudas
Managing Director

Dated this 30th day of September 2021

Perth
Western Australia



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Independent Auditor's Report to the Members of M8 Sustainable Limited

Report on the Audit of the Consolidated Financial Report

Opinion

We have audited the consolidated 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 2021, the consolidated statement of 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 consolidated 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 2021 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 (including Independence Standards)* (the Code) that are relevant to our audit of the consolidated 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. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial report of the current year. These matters were addressed in the context of our audit of the consolidated financial report as a whole, and informing our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial report.

Impairment of Trade and Other Receivables

Why significant

How our audit addressed the key audit matter



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As disclosed in note 14, trade and other receivables were \$1,653,655 at 30 June 2021 including amounts owed from Star Shenton Energy Pty Ltd (SSE). The Group is required to assess the recoverability of its trade and other receivables as at that date.

The recoverability of trade and other receivables was considered a key audit matter due to the quantum of receivables outstanding as at year end.

Our audit procedures included the following:

- ▶ Selected a sample of waste and metals recycling revenue transactions and agreed the consideration to sales invoices and weighbridge tickets to ensure the receivables were correctly recognised
- ▶ Agreed revenue relating to operational and maintenance services to contracts to ensure receivables were correctly recognised
- ▶ For a sample of invoices we vouched to cash collections post year end
- ▶ Assessed the basis of the expected credit loss provision against uncollected receivables post year end
- ▶ Obtained external confirmations on a sample basis confirming outstanding balances as at year end
- ▶ Sighted the asset held as security over the SSE receivable. Reviewed a copy of the Personal Properties Securities Register (PPSR) documentation held over the SSE asset and reviewed the external valuation received by the Group to support the recoverability of the outstanding SSE receivable balance
- ▶ Assessed the adequacy and completeness of the disclosures within the financial report.

Impairment of non-financial assets

Why significant

As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there are any factors indicating that an asset may be impaired. If an indicator exists, the Group must estimate the recoverable amount of the asset or cash generating unit (CGU) to which it relates.

At 31 December 2020 (the half year reporting date), the Group concluded there were impairment indicators and impairment testing was undertaken and an impairment expense of \$6,981,753 was recognised for the Maddington CGU.

At 30 June 2021, the Group concluded that indicators of impairment remained present and impairment testing was undertaken. No further impairment expense was recognised at 30 June 2021.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the Group's identification of CGUs and of indicators of impairment
- ▶ Assessed the carrying value assigned to each CGU by the Group
- ▶ In conjunction with our valuation specialists, examined the Group's impairment model which calculates the value in use of the Maddington CGU and tested the reasonableness of key assumptions including cash flow forecasts considering the accuracy of previous forecasts, forecast capital expenditure, revenue growth and discount rate
- ▶ Tested the mathematical accuracy of the impairment model and compared relevant data to supporting documentation



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Why significant

This was considered a key audit matter as the impairment testing process is highly judgmental and is based on assumptions which are impacted by expected future performance and market conditions. The recoverable amounts of the CGU is also sensitive to changes in the key assumptions, judgements and estimates used.

Note 10 provides details of the impairment assessment including key assumptions, judgements and estimates applied

How our audit addressed the key audit matter

- ▶ For the Gingin CGU, assessed the basis and currency of the external valuation for the Gingin landfill site
- ▶ Recalculated the impairment recognised as the difference between the value in use of the CGU and the net assets of the CGU

Assessed the adequacy of the Group's disclosures in respect of asset carrying values, the impairment testing performed and the impairment recognised

Information other than the **Consolidated** Financial Report and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the consolidated financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 **Consolidated** Financial Report

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 **Consolidated** Financial Report

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.
- ▶ 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 consolidated 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 consolidated financial report, including the disclosures, and whether the consolidated 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 consolidated 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.



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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of M8 Sustainable Limited and its subsidiary (the Group) for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a horizontal line underneath.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert A Kirkby', with a horizontal line underneath.

Robert A Kirkby

Partner

Perth

30 September 2021



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

As lead auditor for the audit of the financial report of M8 Sustainable Limited for the financial year ended 30 June 2021, 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 entity it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Robert A Kirkby'.

Robert A Kirkby
Partner

30 September 2021

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Revenue from contracts with customers	3	8,041,048	1,982,576
Interest income		28,996	3,183
Other income	3	922,684	50,000
Total income		8,992,728	2,035,759
Employee benefits, salaries and wages	4	(2,364,227)	(2,676,183)
Recycling, waste disposal and other site costs	5	(6,233,881)	(1,496,570)
Rental outgoings and licences fees		(390,579)	(402,915)
Insurance costs		(343,533)	(351,950)
Professional fees		(444,484)	(926,334)
IPO related costs	6	-	(5,646,934)
Other expenses	7	(811,569)	(388,974)
Depreciation	8	(1,341,816)	(1,188,450)
Finance costs	9	(545,828)	(1,178,927)
Impairment of assets	10	(6,981,753)	(2,245,501)
Loss before income tax		(10,464,942)	(14,466,979)
Income tax benefit	11	-	672,841
Loss after income tax		(10,464,942)	(13,794,138)
Other comprehensive income		-	-
Total comprehensive loss for the year		(10,464,942)	(13,794,138)

Earnings per share:

<ul style="list-style-type: none"> Basic and diluted loss per share attributable to ordinary equity holders of the parent (cents per share) 	12	(4.2)	(7.8)
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The accompanying notes form part of and should be read in conjunction with these consolidated financial statements.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Notes	30 June 2021 \$	30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents	13	1,815,095	4,164,270
Trade and other receivables	14	1,653,655	1,057,734
Prepayments		249,727	277,366
Advances to contractor	15	-	250,000
Inventory	16	388,568	-
Total Current Assets		4,107,045	5,749,370
NON-CURRENT ASSETS			
Property, plant and equipment	17	20,829,518	17,214,592
Other non-current assets	18	3,906,500	406,500
Right-of-use assets	19	3,428,024	6,136,773
Total Non-current Assets		28,164,042	23,757,865
TOTAL ASSETS		32,271,087	29,507,235
CURRENT LIABILITIES			
Trade and other payables	20	1,512,254	950,547
Borrowings	21	1,086,174	61,237
Lease liabilities	22	871,674	211,067
Provisions	23	107,068	101,921
Total Current Liabilities		3,577,170	1,324,772
NON-CURRENT LIABILITIES			
Borrowings	21	10,518,497	1,348
Lease liabilities	22	8,196,251	7,474,118
Total Non-current Liabilities		18,714,748	7,475,466
TOTAL LIABILITIES		22,291,918	8,800,238
NET ASSETS		9,979,169	20,706,997
EQUITY			
Share capital	24	41,991,364	41,991,364
Shared-based payment reserve	24	1,256,399	1,519,285
Accumulated losses		(33,268,594)	(22,803,652)
TOTAL EQUITY		9,979,169	20,706,997

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	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	-	-	(13,794,138)	(13,794,138)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(13,794,138)	(13,794,138)
Share-based payments	-	1,097,292	-	1,097,292
Shares issued - IPO	19,500,000	-	-	19,500,000
Shares issued to promoters during the year	2,802,687	-	-	2,802,687
Shares issued to settle loans during the year	18,509,532	-	-	18,509,532
Capital raising costs	(1,166,293)	-	-	(1,166,293)
	39,645,926	1,097,292	-	40,743,218
Balance as at 30 June 2020	41,991,364	1,519,285	(22,803,652)	20,706,997
Balance as at 1 July 2020	41,991,364	1,519,285	(22,803,652)	20,706,997
Loss after tax	-	-	(10,464,942)	(10,464,942)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(10,464,942)	(10,464,942)
Share-based payments	-	(262,886)	-	(262,886)
	-	(262,886)	-	(262,886)
Balance as at 30 June 2021	41,991,364	1,256,399	(33,268,594)	9,979,169

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

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Cash flows from operating activities			
Loss after income tax		(10,464,942)	(13,794,138)
Adjustment for:			
<i>Non-cash items:</i>			
Depreciation		1,341,816	1,188,450
Impairment of assets		6,981,753	2,245,501
Provision for expected credit losses		169,858	-
(Gain)/loss on disposal of property, plant and equipment		(4,934)	53,479
Non-cash interest expensed		48,802	-
Interest expense		378,279	1,131,991
Non-cash issuance of promoter's shares		-	2,802,687
Loss on conversion of M8 Holding Limited debt		-	2,463,590
Share options – Lead manager (gross)		-	1,150,000
Share options – Lead manager transferred to equity		-	(480,749)
Director indemnity cancelled		-	(492,311)
Director and Executive bonuses rescinded		-	(1,072,180)
Share-based payment expense		(262,886)	291,285
<i>Changes in assets and liabilities:</i>			
(Increase)/decrease in trade and other receivables		(515,778)	679,587
Decrease/(increase) in prepayments		27,640	(221,483)
Decrease/(increase) in advances to contractors		250,000	(250,000)
(Increase) in inventory		(388,568)	-
Increase/(decrease) in trade and other payables		432,765	(206,349)
Increase/(decrease) in provisions		5,146	(116,118)
(Decrease) in deferred tax liabilities		-	(672,841)
Net cash used in operating activities		(2,001,049)	(5,299,599)
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,020,742)	(3,433,625)
Loan to related party		(408,628)	-
Repayment of related party loan		408,628	-
Proceeds from sale of fixed assets		25,000	107,454
Short-term loans provided		(250,000)	-
Deposit for bank guarantee		(3,500,000)	(260,500)
Net cash used in investing activities		(10,745,742)	(3,586,671)
Cash flows from financing activities			
Proceeds from issue of shares		-	19,500,000
Proceeds from long-term loans net of transaction costs		10,485,094	-
Proceeds from short-term loans		355,581	565,458
Proceeds from related party loan		-	1,410,457
Proceeds from mobile plant loan		1,057,708	-
Proceeds from M8 Holding Limited – Debt		-	401,000
Proceeds from M8 Holding Limited – Convertible Note		-	1,749,000

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Cash flows from financing activities (continued)			
Repayment of short-term loans		(385,038)	(547,364)
Repayment of amount due to related party		-	(1,410,457)
Repayment of M8 Holding Limited loan		-	(6,590,778)
Repayment of shareholder loan		-	(50,000)
Repayment of principal portion of lease liabilities		(514,760)	(211,066)
Repayment of mobile plant loan		(222,690)	-
Payment of capital raising cost		-	(685,544)
Interest paid		(378,279)	(1,121,173)
Net cash generated from financing activities		10,397,616	13,009,533
Net (decrease)/increase in cash and cash equivalents		(2,349,175)	4,123,263
Cash and cash equivalents at the beginning of the year		4,164,270	41,007
Cash and cash equivalents at the end of the financial year	13	1,815,095	4,164,270

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

M8 SUSTAINABLE LIMITED AND ITS CONTROLLED ENTITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 1 General Information

This financial report, which covers the consolidated financial statements of M8 Sustainable Limited (M8S) (the “Company” or the “Parent”) and its controlled entity (collectively the “Group”), was authorised for issue in accordance with a resolution of the Directors on 30 September 2021.

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 principal activity of the Group during the financial year was receiving and recycling of metals, commercial & industrial (C&I) and construction & demolition (C&D) waste at its Maddington Waste Facility. 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.

The Company also provided operations and maintenance services to the Brockway recycling facility at Shenton Park which is owned by Star Shenton Energy Pty Ltd.

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 2020 (see below).

(ii) Going concern

For the year ended 30 June 2021, the Group recorded a net loss before tax of \$10,464,942 and had operating cash outflows of \$2,001,049. As at 30 June 2021, the Group’s cash and cash equivalents amounted to \$1,815,095 and net current assets were \$529,875. 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:

- In February 2021, the Group settled a loan facility of \$11,000,000 with Remagen Capital Management Pty Ltd., to enable the completion of the Gingin landfill facility.
- on 24 June 2021, the Group announced a 1 for 1 renounceable rights entitlement offer with an issue price of \$0.02 cents per share to raise \$4,664,597. This was settled post year end.
- streamlined the C&I waste to remove low margin customer categories
- increased operations in metals recycling, aggregating scrap metals, with the majority of steel being exported.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Note 2 Basis of Preparation and Summary of Significant Accounting Policies (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 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 consolidated financial statements for the year ended 30 June 2021. The directors believe that the Group can continue to access debt and equity funding to meet its working capital requirements. Accordingly, the directors consider that it is appropriate to prepare the Group's 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 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 consolidated financial statements.

The 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

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.

(iv) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Certain comparative financial information present in the statement of comprehensive income have been reclassified in this financial report to improve presentation of information. The reclassification results in no net change to the loss for the comparative period.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

a) Basis of preparation (continued)

(iv) New and amended accounting standards and interpretations not yet effective and not adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective for entities preparing financial statements for the year ended 30 June 2021 have not been adopted by the Group. The Group has considered the impact of the below and does not expect them to have a material impact on the financial statements upon adoption.

AASB 2020-1 <i>Amendments to AASs – Classification of Liabilities as Current or Non-current</i>	1 January 2023
AASB 2020-3 <i>Amendments to AASs – Annual Improvements 2018–2020 and Other Amendments</i>	1 January 2022
▶ Amendments to AASB 3, <i>Reference to the Conceptual Framework</i>	
▶ Amendment to AASB 9, <i>Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities</i>	
▶ Amendments to AASB 116, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	
▶ Amendments to AASB 137, <i>Onerous Contracts—Cost of Fulfilling a Contract</i>	
▶ Amendment to AASB 141, <i>Taxation in Fair Value Measurements</i>	
AASB 2014-10 <i>Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2022
AASB 2021-2 <i>Amendments to AASs – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023
▶ Amendments to AASB 7, AASB 101, AASB 134 and AASB Practice Statement 2	
▶ Amendments to AASB 108	
AASB 2021-5 <i>Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent and its controlled entity 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 Group’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 controlled entity begins when the Group obtains control over the controlled entity and ceases when the Group loses control of the controlled entity. Assets, liabilities, income and expenses of a controlled entity 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 controlled entity.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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 Group and its controlled entity 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 metals recycling and operating its waste recycling facility at Maddington, Western Australia, which is recognised at point in time. The Group also has a contract for the provision of operational and maintenance services to a related party, which is recognised over time.

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.

Operational and maintenance services

The Group's contract for rendering of operations and maintenance (O&M) 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.

For service contracts, where the transaction price is considered to be variable consideration, the Group applies the variable consideration allocation exception to allocate variable consideration to distinct services in the services contract. The customer is typically invoiced monthly.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

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.

Inventory sales

Inventory sales of the Group consist of metals and road base. The Group recognises revenue at the point in time control of the inventory is transferred to the customer.

f) Interest income

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

g) Leases

Group as Lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

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.

Long-term benefits

Long-term employee benefits within the Group includes long service leave. The liability for long term employee benefits is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, experience of employee departures and period of service. Expected future payments are discounted using the market yields at the reporting date on high quality corporate bonds which have maturity dates approximating the terms of the Group's obligations.

i) Income tax

The income tax expense or revenue for the year is the tax payable on the current year'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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

Tax consolidation

The Group formed a tax consolidated group on 13 April 2018.

The parent company and its controlled entity 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 Group 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.

j) 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.

k) 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.

l) Trade and other receivables

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 rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the receivable is derecognised, modified or impaired.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

Impairment

The Group recognises an allowance for expected credit losses (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 or uncollected after issuing a letter of demand. A receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

m) 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 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 which will depend on the date of capitalisation. The following depreciation rates were applied during the financial period:

- | | |
|--------------------------|--------|
| • Mobile plant | 20% pa |
| • Fixed plant | 6% pa |
| • Office equipment | 25% pa |
| • Motor vehicles | 25% pa |
| • Leasehold improvements | 20% pa |

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.

**M8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group 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.

o) 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 rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs.

p) 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.

q) 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.

r) 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.

s) 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 using an appropriate valuation model. Further details are given in Note 25.

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 if 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.

**M8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

t) Inventories

Inventories of recycled metals and processed road base are valued at the lower of cost and net realisable value. For recycled metals, the cost is based on the weighted average cost principle.

Cost of processed road base is based on cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.

u) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

v) Significant accounting judgements and critical estimates

In the preparation of the financial report, management has made certain judgements and estimates that affect reported amounts of revenues, expenses, assets and liabilities.

Judgements

In applying the Group's accounting policies, the following judgements were made;

Operational and maintenance services

The Group's contract for rendering of operation and maintenance services to a related party involve various activities. The performance obligation is fulfilled over time as services are consumed as provided. The customer is typically invoiced monthly for a fixed management fee plus a service charge calculated as 10% of operational costs.

Lease terms for right-of-use assets and lease liabilities

The Group determines the lease term as the non-cancellable term of the lease. The Group has the option under some of its leases to lease the assets for additional terms of one to four years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Group has concluded that it will exercise all extension options on its principal lease for the Maddington premises.

Contingent liability – royalty agreement

The Group has concluded that the royalty agreement (refer Note 31) 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. The Group has therefore determined that AASB 137 *Provisions Contingent Liabilities and Contingent Assets* is the appropriate standard to account for the royalty.

Estimates and assumptions

The Group makes the following estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. For the current reporting period, there was limited impact on the Company due to COVID-19 as the construction industry grew, especially in Western Australia.

**M 8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

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

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model.

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 (refer Note 10).

Provision for expected credit losses on trade and other short-term receivables

For trade and other short-term receivables, the Group uses the simplified approach based on life time expected credit loss. The loss allowance is based on historically observed default rates and incorporates forward looking estimates. It also factors in receipts up to the date of issuing the accounts.

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 (refer Note 11). Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

Note 3 Revenue and other income

Revenue from contracts with customers	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
Construction and demolition (C&D) waste revenue	2,554,289	749,999
Commercial and industrial (C&I) waste revenue	627,446	649,131
Metals recycling revenue	4,578,455	-
Total Waste Management and Recycling	7,760,190	1,399,130
Operations and maintenance (O&M) service fee	280,858	583,446
Total Revenue from contracts with customers	8,041,048	1,982,576

The Company receives gate fees for C&D materials as well as C&I materials. The Company also receives revenue by selling recycled metals.

**M8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Note 3 Revenue and other income (continued)

O&M service fee revenue relates to waste management services provided to a related party, Star Shenton Energy Pty Ltd (SSE). Due to an ongoing legal dispute at SSE with one of their customers, activities at the site have been placed in a "care and maintenance" mode until the legal dispute has been resolved and settled. The parties have agreed that the recurring management charge payable to the Company be reduced from \$40,000 per month to \$15,000 per month which commenced from 1 October 2020. In addition, the O&M service charge equal to 10% of the month's operating expenses of the Facility has been waived commencing from 1 October 2020. This remains in effect at 30 June 2021, and will remain in effect until six months from date of the settlement of the abovementioned dispute.

The table below provides a disaggregation of segment revenues from contracts with customers (refer Note 26):

	Waste Management and Recycling	Operations and Maintenance	Total operating segments
	\$	\$	\$
Year ended 30 June 2021			
Revenue from contracts with customers	7,760,190	280,858	8,041,048
Year ended 30 June 2020			
Revenue from contracts with customers	1,399,130	583,446	1,982,576

Disaggregated segment revenue includes eliminations.

	Point in time	Over time	Total
	\$	\$	\$
Year ended 30 June 2021			
Revenue from contracts with customers	7,760,190	280,858	8,041,048
Year ended 30 June 2020			
Revenue from contracts with customers	1,399,130	583,446	1,982,576

Other income	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
Government stimulation packages	67,500	50,000
Other revenue	9,754	-
Research and development claim received	845,430	-
	922,684	50,000

Note 4 Employee benefits, salaries and wages

	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
Wages and salaries expenses	(1,690,872)	(1,756,351)
Labour contracting	(787,897)	(535,791)
Consulting	(148,344)	(92,756)
Share-based payments	262,886	(291,285)
Employee benefits, salaries and wages as disclosed	(2,364,227)	(2,676,183)
Cost of bonus shares and cash bonuses rescinded included as IPO related costs (Note 6)	-	1,072,180
Indemnity cancelled included as IPO related costs (Note 6)	-	492,314
Total employee benefits, salaries and wages	(2,364,227)	(1,111,689)

**M8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
Note 5 Recycling, waste disposal and other site costs		
Waste disposal costs	(878,680)	(517,799)
Cost of recycled metals	(4,392,280)	(70,355)
Power, fuel and oil	(142,290)	(106,106)
Short term equipment hire	(396,010)	(504,555)
Repairs, maintenance and consumables	(404,310)	(237,306)
Other	(20,311)	(60,449)
	(6,233,881)	(1,496,570)
	(6,233,881)	(1,496,570)
	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
Note 6 IPO related costs		
Cash items		
Transaction costs	-	(1,211,057)
Lead managers and legal fees	-	(750,387)
	-	(1,961,444)
	-	(1,961,444)
Non-cash items		
Cost of issuing promoter shares	-	(2,802,687)
Loss on conversion of M8H debt	-	(2,463,590)
Share option expenses – Lead manager	-	(1,150,000)
Director and Executive indemnity cancelled	-	492,314
Director and Executive bonus rescinded	-	1,072,180
	-	(4,851,783)
	-	(4,851,783)
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	-	(5,646,934)
	-	(5,646,934)
Capital raising costs	-	685,544
Share option expense	-	480,749
Total initial public offering and share option expense directly attributable to equity	-	1,166,293
	-	1,166,293

**M 8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Note 7 Other expenses		
Marketing related costs	(10,656)	(35,709)
HR and office-related expenses	(85,481)	(62,752)
IT costs	(54,780)	(50,164)
Secretarial, legal and business expenses	(253,329)	(149,497)
Motor vehicle related expenses	(46,348)	(37,373)
Gain/(loss) on asset sales	4,934	(53,479)
Provision for expected credit losses	(169,858)	-
Other expenses	(196,051)	-
	(811,569)	(388,974)
	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Note 8 Depreciation		
Depreciation on property, plant and equipment	(535,418)	(694,774)
Depreciation on right-of-use assets	(806,398)	(493,676)
	(1,341,816)	(1,188,450)
	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Note 9 Finance costs		
Interest expense on lease liability	(948,339)	(771,934)
Interest expense	(1,136,609)	(577,984)
Finance charges	(118,746)	(21,992)
	(2,203,694)	(1,371,910)
Less: Capitalised interest expense	1,657,866	192,983
	(545,828)	(1,178,927)

The Group commenced construction of the Gingin facility in early April 2020. The construction is expected to be completed in December 2021. The amount of borrowing costs capitalised during the year ended 30 June 2021 was \$1,657,866 (2020: \$192,983). The rate used to determine the amount of borrowing costs eligible for capitalisation was 12.4% being the average cost of the Group's general borrowings.

**M 8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Note 10 Impairment of assets

Impairment testing

Gingin (Landfill operations)

This asset is currently under construction. The recoverable value of the landfill is based on a valuation dated 9 September 2020, carried out by an accredited independent valuer to determine the fair value less costs of disposal based on capitalisation of notional royalty stream and discounted cash flow methods whereby the lowest level input that is significant to the fair value measurement is unobservable (categorised within Level 3 of the fair value hierarchy).

Key assumptions included forecast waste received, gate fees, capital expenditure and discount rate. No reasonable change in assumption would cause an impairment in the Gingin CGU.

Maddington CGU

The carrying amount of the Maddington CGU is assessed at each half year to determine whether there is an indicator of impairment. Impairment testing of the Maddington CGU was undertaken at both 31 December 2020 and 30 June 2021. An impairment loss was recognised at 31 December 2020 of \$6,981,753. No further impairment loss or reversal of impairment loss was recognised at 30 June 2021.

The recoverable amount of the Maddington CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a four year period. In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount.

The pre-tax discount rate applied to the cash flow projections is 20.3% (post tax 15.2%) (2020: 14.3% (post tax (10%))). The cashflows for the period subsequent to the four years has been restricted to 10 years being the length of the Maddington facility lease including options. The growth rate used to extrapolate the cash flows of the unit beyond the four-year period is 0% (2020: 0%).

At the half year ended 31 December 2020, impairment testing identified that the carrying value of the Maddington CGU exceeded its estimated recoverable value. Accordingly, the Group recorded an impairment loss of \$6,981,753 which is set out in the following table:

	31 December 2020	30 June 2020
	\$	\$
Maddington waste facility CGU		
Carrying value of net assets	12,026,452	13,131,983
Estimated recoverable amount	(5,044,699)	(10,886,482)
Impairment recognised	<u>6,981,753</u>	<u>2,245,501</u>

	Property, Plant and Equipment	Right-of-use Asset	Total
	\$	\$	\$
Year ended 30 June 2021			
Impairment recognised	3,181,901	3,799,852	6,981,753
Year ended 30 June 2020			
Impairment recognised	979,699	1,265,802	2,245,501

**M 8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Note 10 Impairment of assets (continued)

As at 30 June 2021, the calculation of value in use for the Maddington is most sensitive to the following assumptions:

- Discount rates
- Metal recycling gross margins
- Metal recycling volumes
- C&I and C&D waste volumes

Discount rates	Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated into the cash flow estimates. As at 30 June 2021, an increase in the post-tax discount rate of 1% (i.e.16.2%) in the Maddington CGU would result in an impairment of \$679,829.
Metal recycling gross margins	Gross margins are based on a mix of recycled processed/unprocessed metals. The recycled metal recycling activity started in the last week of January 2021. The gross margins are increased over the budget period to 13.6%. As at 30 June 2021, a decrease of 1% in the budgeted gross margin percentage achieved in the Maddington CGU would result in an impairment of \$664,760.
Metal recycling volumes	Metal recycling volumes are based on historical achieved by the business in the last six months of the current financial year and also on the basis of orders received from the customers for processing and selling the unprocessed steel. Annualised metal recycling volumes for FY21 were 24,446 tonnes. The metal recycling volumes are increased over the budget period. Year on year growth budgeted are for FY22: 9.96%, FY23: 17.85% and thereafter remain flat. As at 30 June 2021, a decrease of 1% in the metal recycling volumes achieved in the Maddington CGU would result in an impairment of \$422,392.
C&I and C&D waste volumes	The C&I and C&D waste volumes are increased over the budget period for FY 22 to FY 25. For FY21, Maddington site achieved 23% of the capacity utilisation against its licence of 500,000 tpa. The Budget assumes capacity utilisation to be 22% in FY22, 36% in FY23 and 44% of the licensed capacity for FY24 and FY25. As at 30 June 2021, a decrease of 1% per annum in the C&I and C&D waste volumes achieved in the Maddington CGU would result in a further impairment of \$235,248.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
Note 11 Income tax		
The components of income tax benefit comprise:		
Current income tax	-	-
Current income tax benefit	-	-
Deferred income tax	-	-
Deferred tax benefit relating to the origination and reversal of temporary differences	-	672,841
Income tax benefit reported in the consolidated statement of profit or loss and the other comprehensive income	<u>-</u>	<u>672,841</u>
Relationship between income tax expense/(benefit) and accounting loss:		
Loss before income tax	(10,464,942)	(14,466,979)
At the statutory income tax rate of 26% (2020: 27.5%)	(2,720,885)	(3,978,419)
Non-assessable income	(308,546)	(443,986)
Non-deductible expenses	36,409	1,691,675
Other adjustments	(29,711)	(51)
Deferred tax assets not recognised	3,022,733	2,057,940
Income tax (benefit) reported in the consolidated statement of profit or loss and other comprehensive income	<u>-</u>	<u>(672,841)</u>
	\$	\$
<i>Deferred tax liabilities</i>		
Property, plant and equipment	(457,157)	(624,951)
Other deferred tax liabilities	(129,929)	(76,275)
Deferred tax liabilities	<u>(587,086)</u>	<u>(701,226)</u>
<i>Deferred tax assets – brought to account</i>		
Net deferred tax assets on right-of-use assets and lease liabilities	587,086	425,813
Business related capital expenditure	-	173,573
Accruals and provisions	-	74,695
Others	-	27,145
Deferred tax assets	<u>587,086</u>	<u>701,226</u>
Net deferred tax liability recognised	<u>-</u>	<u>-</u>

Estimated tax losses (including capital losses) of \$5,617,979 (tax effected) (30 June 2020: \$4,472,341, 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 future taxable income. In addition, deductible temporary differences of \$1,505,900 (30 June 2020: \$414,159) have not been recognised.

**M8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Note 12 Earnings per share

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

	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
Weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share	249,501,676	176,518,447
Weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share	249,501,676	176,518,447
	\$	\$
Loss attributable to ordinary equity holders of the Group	(10,464,942)	(13,794,138)
Basic and diluted loss per share (cents)	4.2	7.8
	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	32,500,000	30,000,000

We have adjusted the weighted average number of ordinary shares on issue by the bonus element, an adjustment factor of 1.07, relating to the renounceable rights issue which occurred subsequent to year end.

	30 June 2021	30 June 2020
	\$	\$
Note 13 Cash and cash equivalents		
Cash on hand and at bank	1,815,095	4,164,270

	30 June 2021	30 June 2020
	\$	\$
Note 14 Trade and other receivables		
Trade receivables (i)	915,555	173,706
Receivable from Sbang Australia Pty Ltd (ii)	-	228,862
Amounts due from Star Shenton Energy Pty Ltd (iii)	308,944	583,446
Loan receivables from Star Shenton Energy Pty Ltd (iv)	349,014	47,720
Loan receivables from Minesite Recycling Pty Ltd (v)	250,000	-
Job Keeper subsidy due	-	24,000
	1,823,513	1,057,734
Allowance account for expected credit losses	(169,858)	-
	1,653,655	1,057,734

(i) Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.

(ii) Receivables from Sbang Australia Pty Ltd are amounts paid to suppliers on behalf of M8 Holding Limited (M8H) to develop roadworks in Gingin prior to the contract being signed which will be offset against future M8H invoices.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 14 Trade and other receivables (continued)

- (iii) Amounts due from Star Shenton Energy Pty Ltd relate to trade receivables. Subsequent to year end, \$209,944 of the trade receivables have been collected. The Company holds security for the receivables due in the form of a Terex Screen. In September 2021, the Terex Screen was independently valued by Pickles Auctions Pty Ltd. The report ascribed a value of \$350,000, with basis of valuation being on an orderly liquidation value. Amounts past due are interest-bearing at 10% pa.
- (iv) Loan receivables from Star Shenton Pty Ltd are interest-bearing at 10% pa and to be repaid by 31 December 2021. Subsequent to year end, \$115,056 of the loan receivables have been collected. As mentioned in (iii) above, the Company holds security for the receivables balance.
- (v) Loan receivables from Minesite Recycling Pty Ltd are non-interest bearing and to be repaid upon expiry of the agreement on 27 October 2021, unless extended upon mutual agreement.
- (vi) The Group recognised a provision for expected credit losses of \$169,858. The Group has collected \$1,229,662 of trade and other receivables subsequent to year end.

	30 June 2021	30 June 2020
Allowance account for expected credit losses	\$	\$
As at 1 July	-	-
Provision for expected credit losses	169,858	-
As at 30 June	169,858	-

30 June 2021	30 June 2020
\$	\$

Note 15 Advances to contractor

Advances paid to landfill contractor	-	250,000
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30 June 2021	30 June 2020
\$	\$

Note 16 Inventory

Finished goods	388,568	-
	388,568	-

**M8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	30 June 2021	30 June 2020
	\$	\$
Note 17 Property, plant and equipment		
Land		
Gross carrying amount at cost	9,200,000	9,200,000
Mobile plant		
Gross carrying amount at cost	1,805,390	690,140
Less: Accumulated depreciation and impairment	(1,198,415)	(361,527)
	606,975	328,613
Fixed plant		
Gross carrying amount at cost	4,498,287	4,498,287
Less: Accumulated depreciation and impairment	(3,256,944)	(1,276,766)
	1,241,343	3,221,521
Office equipment		
Gross carrying amount at cost	151,492	100,711
Less: Accumulated depreciation and impairment	(84,173)	(32,006)
	67,319	68,705
Motor vehicles		
Gross carrying amount at cost	200,353	200,353
Less: Accumulated depreciation and impairment	(184,484)	(94,825)
	15,869	105,528
Leasehold improvement at cost	1,508,870	1,496,708
Less: Accumulated depreciation and impairment	(1,124,860)	(471,366)
	384,010	1,025,342
Capital work in progress at cost	9,314,002	3,264,883
Total property, plant and equipment		
Gross carrying amount at cost	26,678,394	19,451,082
Less: Accumulated depreciation and impairment	(5,848,876)	(2,236,490)
Total carrying amount	20,829,518	17,214,592

The Group has pledged all of its property, plant and equipment in order to fulfil the collateral requirements for the Remagen loan contract entered into (refer Note 21).

**M8 SUSTAINABLE LIMITED
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 17 Property, plant and equipment (continued)

Reconciliation of net book value:

	Land	Mobile plant	Fixed plant	Office equipment	Motor vehicles	Leasehold improvement	Capital work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance as at 1 July 2020	9,200,000	328,613	3,221,521	68,705	105,528	1,025,342	3,264,883	17,214,592
Purchases	-	1,240,250	-	50,781	-	12,162	6,049,119	7,352,312
Disposals	-	(20,067)	-	-	-	-	-	(20,067)
Depreciation charge	-	(178,164)	(166,494)	(20,349)	(26,021)	(144,390)	-	(535,418)
Impairment of assets	-	(763,657)	(1,813,684)	(31,818)	(63,638)	(509,104)	-	(3,181,901)
Net carrying amount as at 30 June 2021	9,200,000	606,975	1,241,343	67,319	15,869	384,010	9,314,002	20,829,518
Opening balance as at 1 July 2019	9,200,000	633,072	4,166,607	17,743	148,566	1,069,984	380,403	15,616,375
Purchases	-	42,640	-	75,211	52,385	378,909	2,884,480	3,433,625
Disposals	-	(135,217)	-	-	(25,718)	-	-	(160,935)
Depreciation charge	-	(144,101)	(280,599)	(10,077)	(47,938)	(212,059)	-	(694,774)
Impairment of assets	-	(67,781)	(664,487)	(14,172)	(21,767)	(211,492)	-	(979,699)
Net carrying amount as at 30 June 2020	9,200,000	328,613	3,221,521	68,705	105,528	1,025,342	3,264,883	17,214,592

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	30 June 2021	30 June 2020
	\$	\$
Note 18 Other non-current assets		
Deposits at amortised cost (i)	<u>3,906,500</u>	<u>406,500</u>

(i) The deposits held with ANZ Bank are to cover bank guarantees provided to The Minister for Environment and the Chief Executive Officer of the Office of the Department of Water and Environmental Regulation (DWER) as required by regulatory authorities for the construction of the landfill facility (\$3,500,000) and to the landlord of the Maddington facility (\$406,500).

Note 19 Right-of-use assets

The Group has lease contracts for various items of mobile plant and facility used in its operations. Leases of mobile plant generally have lease terms between 1 and 2 years, while the facility has a lease term of 20 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of machinery with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

The carrying amounts of lease liabilities and the movements during the year are set out in Note 22.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Facility	Mobile Plant	Total
	\$	\$	\$
As at 1 July 2019	7,896,251	-	7,896,251
Depreciation expense	(493,676)	-	(493,676)
Impairment losses	(1,265,802)	-	(1,265,802)
As at 30 June 2020	6,136,773	-	6,136,773
Additions	-	1,897,501	1,897,501
Depreciation expense	(367,966)	(438,432)	(806,398)
Impairment losses	(3,442,274)	(357,578)	(3,799,852)
As at 30 June 2021	2,326,533	1,101,491	3,428,024

The following are the amounts recognised in profit or loss:

	Year ended	Year ended
	30 June 2021	30 June 2020
		\$
Depreciation expense of right-of-use assets	(806,398)	(493,676)
Impairment expense on right-of-use assets	(3,799,852)	(1,265,802)
Interest expense on lease liability	(948,341)	(771,934)
Expense relating to short-term leases (i)	<u>(417,610)</u>	<u>(488,906)</u>

The Group had total cash outflows for leases of \$1,880,731 in 2021 (2020: \$1,471,906). The Group also had non-cash additions to right-of-use assets and lease liabilities of \$1,897,501 in 2021 (2020: Nil). The Group had variable lease payments of \$258,686 (2020: \$269,947).

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Note 19 Right-of-use assets (continued)

(i) Payments of \$417,610 (2020: \$488,906) for short term leases (lease term of 12 months or less) were expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021.

	30 June 2021	30 June 2020
	\$	\$
Note 20 Trade and other payables		
Trade payables (i)	1,088,995	551,675
Accrued and other payables (ii)	423,259	398,872
	1,512,254	950,547

(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) Accrued and other payables are non-interest bearing and have an average term of three months.

	30 June 2021	30 June 2020
	\$	\$
Note 21 Borrowings		
Term borrowings - Pepper Asset Financing (i)	1,241	19,983
Term borrowings - ScotPac Business Finance (ii)	700,660	-
Term borrowings - Bigstone Finance (iii)	134,358	-
Premium funding of insurance (iv)	31,887	42,602
Remagen loan (v)	10,736,525	-
	11,604,671	62,585
less: Non-current portion	(10,518,497)	(1,348)
Current portion	1,086,174	61,237

(i) Term borrowings comprise of amounts payable to Pepper Asset Financing Pty Ltd relates to financing for the Group's motor vehicle of \$1,241 which bears interest at 7.99% and is repayable in monthly instalments by 11 July 2021.

(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 \$137,436.

(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 26 September 2023. Current liability component amounts to \$48,199.

(iv) Premium funding of insurance with Principal Finance and BOQ Financing for \$28,436 and \$3,451 respectively. Current liability component amounts to \$31,887.

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Note 21 Borrowings (continued)

(vii) During the year Company obtained a finance facility from Remagen Capital Management Pty Limited for \$11,000,000. The facility will be primarily used to complete construction of the Gingin waste management facility as well as towards working capital and fund the \$3,500,000 bank guarantee required by the regulatory authority for Gingin. Current liability component amounts to \$867,411. Key terms of the Remagen loan facility are as follows:

Loan Amount:	\$11,000,000
Interest Rate:	14% per annum
Term:	24 months from January 2021
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 controlled entity, Fernview Environmental Pty Ltd
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.

Year ended 30 June 2021	Short-term loans	ScotPac loan	Bigstone loan	Remagen loan
	\$	\$	\$	\$
Balance at 01 July 2020	62,585	-	-	-
Balance at 30 June 2021	33,128	700,660	134,358	10,736,525
Movement	<u>29,457</u>	<u>(700,660)</u>	<u>(134,358)</u>	<u>(10,736,525)</u>
Cash				
Proceeds from short-term loans	355,581	-	-	-
Repayment of short-term loans	(385,038)	-	-	-
Proceeds from mobile plant loan	-	795,588	262,120	-
Repayment of mobile plant loan	-	(94,928)	(127,762)	-
Proceeds from Remagen loan	-	-	-	10,485,094
Non-cash				
Non-cash interest	-	-	-	251,431
	<u>(29,457)</u>	<u>700,660</u>	<u>134,358</u>	<u>10,736,525</u>

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Note 21 Borrowings (continued)

Year ended 30 June 2020	Short-term loan \$	Related party loan \$	SBANG loan \$	Shareholder loan \$
Balance at 30 June 2019	44,491	435,124	20,040,641	50,000
Balance at 30 June 2020	62,585	-	-	-
Movement	(18,094)	435,124	20,040,641	50,000
Cash				
Proceeds from short-term loans	565,458	-	-	-
Repayment of short-term loans	(547,364)	-	-	-
Proceeds from related party loan	-	1,410,457	-	-
Repayment of amount due to related party	-	(1,410,457)	-	-
SBANG drawdown – debt	-	-	401,000	-
SBANG drawdown – convertible note	-	-	1,749,000	-
Repayment of SBANG loan	-	-	(6,590,778)	-
Repayment of shareholder loan	-	-	-	(50,000)
Non-cash				
Issuance of 2,229,709 fully paid shares	-	(435,124)	-	-
SBANG conversion Phase 1	-	-	(8,000,000)	-
SBANG conversion Phase 2	-	-	(7,600,000)	-
Other non-cash adjustments	-	-	137	-
	18,094	(435,124)	(20,040,641)	(50,000)

Note 22 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2021 \$	2020 \$
As at 1 July	7,685,185	7,896,251
Additions	1,897,501	-
Accretion of interest	948,340	771,933
Repayment of principal portion of lease liabilities	(514,760)	(211,066)
Repayment of interest portion of lease liabilities	(948,341)	(771,933)
As at 30 June	9,067,925	7,685,185
Current	871,674	211,067
Non-current	8,196,251	7,474,118

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	30 June 2021 \$	30 June 2020 \$
Note 23 Provisions		
Employee provisions	<u>107,068</u>	<u>101,921</u>

Note 24 Share capital and reserves

Share Capital

	30 June 2021 Number	30 June 2020 Number
(a) Issued and paid up capital		
Issued and fully paid ordinary shares	<u>233,229,835</u>	<u>233,229,835</u>
(b) Movement in ordinary shares		
Balance as at 01 July	\$ 41,991,364	\$ 2,345,438
Issuance of shares through IPO	-	19,500,000
Issued to promoters during the year	-	2,802,687
Issued to settle debt during the year	-	18,509,532
Capital raising costs	-	(1,166,293)
Balance as at 30 June	<u>41,991,364</u>	<u>41,991,364</u>
(c) Movement in ordinary shares		
Balance as at 01 July	2021 Number 233,229,835	2020 Number 15,534,181
Issuance of shares through IPO	-	97,500,000
Issued to promoters during the year	-	17,965,945
Issued to settle debt during the year	-	102,229,709
Issued to settle share-based payments	-	-
Balance as at 30 June	<u>233,229,835</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 from 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par share values.

Share-based Payment Reserve

	2021 \$	2020 \$
Balance at 1 July	1,519,285	421,993
KMP bonus options – rescinded during the year	-	(421,993)
Cost of issuing options to the lead manager	-	1,150,000
Cost of issuing performance rights to directors and management	-	291,285
Cost of shares issued to Lothbury Advisory	-	78,000
Reversal of performance rights expenses	(291,285)	-
Cost of share-based payment to director	28,399	-
Balance at 30 June	<u>1,256,399</u>	<u>1,519,285</u>

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel and options issued to the lead manager or its nominees, as part of their remuneration.

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Note 24 Share capital and reserves (continued)

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.

Note 25 Share-based payments

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.

In order to account for the share-based payment arising from the potential issue of these shares, the Company has recognised an expense of \$28,399 towards bonus incentives and \$21,578 towards tax liabilities arising in relation to awards of shares. The key inputs/assumptions for the valuation of the director rights were as follows:

Exercise price: Nil

Director term: 10 years

Total expected number of rights – 7,500,000 (no rights had vested at 30 June 2021)

Share price: 30 June 2021 \$0.024 (share price will be updated through to shareholder approval)

Options

The Company issued a total of 20,000,000 options to the lead manager of the Group's IPO, upon the Company's ASX listing. The options were 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 have an exercise price of \$0.25 and can be exercised at any time on or prior to expiry date (10 December 2023).

The value of the services represented by the options can't be reliably measured and the share-based payment has been estimated based on the fair value of the options issued. The fair value per security has been calculated as \$0.0575 using a Black Scholes share option pricing model taking in to account the terms and conditions upon which the options were granted. The fair value of the options was calculated on the date of grant using the following assumptions:

Exercise price	\$0.25
Term	4 years
Dividend yield	0%
Extended volatility	60% to 70%
Risk free interest rate	2.08%

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Note 25 Share-based payments (continued)

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021 Number	2021 WAEP	2020 Number	2020 WAEP
Outstanding at 1 July	20,000,000	\$0.25	-	-
Granted during the year	-	-	20,000,000	\$0.25
Forfeited during the year	-	\$0.25	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	<u>20,000,000</u>	<u>\$0.25</u>	<u>20,000,000</u>	<u>\$0.25</u>
Exercisable at 30 June	20,000,000	\$0.25	20,000,000	\$0.25

Performance rights

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 at grant date has been quantified as \$2,000,000. The directors determined that all classes of performance rights had no probability of achieving the requisite benchmarks, during the financial year. Accordingly, no value has been ascribed to the performance rights. Of the 6 classes of performance rights, classes A, C and E have been forfeited as the requisite benchmarks were not achieved within the stipulated timeframe which has now expired. With respect to classes B, D and F, whilst highly unlikely that the benchmarks established will be met, the time frame to achieve those benchmarks has not yet expired. Accordingly, classes B, D and F of the performance rights have not lapsed and as at the end of the reporting year have not been forfeited. Reversal of \$291,286 has been charged for the year ended 30 June 2021 (2020: \$291,286).

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, performance rights during the year:

	2021 Number	2021 WAEP	2020 Number	2020 WAEP
Outstanding at 1 July	10,000,000	-	-	-
Granted during the year	-	-	10,000,000	-
Forfeited/lapsed during the year	(5,000,000)	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	<u>5,000,000</u>	-	<u>10,000,000</u>	-
Exercisable at 30 June	-	-	-	-

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Note 25 Share-based payments (continued)

The milestones that are required to be achieved for each Performance Right in the relevant class to be converted into one share at the election of the KMP for no consideration are as follows:

Class A Performance Rights: 1,666,667 Performance Rights will convert into Shares upon the Company achieving, in relation to its existing business and assets at the date the Company is admitted to the Official List of ASX (Listing Date), an operating revenue of at least \$20,000,000 in the first 12 months following issue.

Class B Performance Rights: 1,666,667 Performance Rights will convert into Shares upon the Company achieving, in relation to its existing business and assets at the Listing Date, an operating revenue of at least \$40,000,000 in the period commencing on the date which is 12 months following issue and ending on the date which is 24 months following issue.

Class C Performance Rights: 1,666,667 Performance Rights will convert into Shares upon the Company achieving, in relation to its existing business and assets at the Listing Date, earnings before interest, tax, depreciation and amortisation of at least \$5,000,000 in the first 12 months following issue.

Class D Performance Rights: 1,666,667 Performance Rights will convert into Shares upon the Company achieving, in relation to its existing business and assets at the Listing Date, earnings before interest, tax, depreciation and amortisation of at least \$12,500,000 in the period commencing on the date which is 12 months following issue and ending on the date which is 24 months following issue.

Class E Performance Rights: 1,666,667 Performance Rights will convert into Shares upon the Mad-dington Facility operating at an annual rate of 210,000 tonnes and/or m3 in the first 12 months following issue.

Class F Performance Rights: 1,666,665 Performance Rights will convert into Shares upon the Gingin Facility being fully licensed and operational in the first 24 months following issue.

Note 26 Operating segments

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

Operating segments outlined below are identified by management based on the nature of the operations. The executive management team consider the business strategically and operationally from a service perspective and have identified the three reportable segments:

- Waste Management and Recycling
- Operations and Maintenance (O&M)
- Landfill Operations

Management monitors the performance of the operating results of the segments separately for the purpose of making decisions about resource allocation and performance assessment. The performance is measured in accordance with the Company's accounting policies.

Types of services by reportable segments

(i) Waste Management and Recycling

The Waste Management segment involves resource recovery from C&D waste and C&I waste. C&D waste includes waste from demolition and civil construction activities, including roads and buildings. C&I waste includes waste from industries such as manufacturing and retail as well as wholesale businesses. During the year, the Company commenced metals recycling activities. Operations invoices aggregating, processing and selling of recycled metal to both local and export markets.

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Note 26 Operating segments (continued)

(ii) Operations and Maintenance

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

(iii) Landfill Operations

Landfill operations have not yet commenced, however the construction of the landfill in Gingin is underway. Currently there is no revenue associated with this segment.

Corporate items of revenue and expenses have been allocated to the operating segments that receive the majority of the economic value.

Summarised financial information concerning our reportable segments as at 30 June 2021 and 30 June 2020 are shown in the following table:

	Waste Management and Recycling \$	Operations and Maintenance \$	Landfill Operations \$	Total operating segments \$
Year ended 30 June 2021				
Revenue from contracts with customers	7,760,190	280,858	-	8,041,048
Other income	922,684	-	-	922,684
Operating expenses	(9,997,774)	(235,052)	(355,447)	(10,588,273)
EBITDA	(1,314,900)	45,806	(355,447)	(1,624,541)
Depreciation and amortisation	(1,123,471)	(1,271)	(217,074)	(1,341,816)
Net finance costs	(471,169)	(22,575)	(23,088)	(516,832)
Impairment losses	(6,981,753)	-	-	(6,981,753)
Loss before income tax	(9,891,293)	21,960	(595,609)	(10,464,92)
Income tax benefit	-	-	-	-
Loss after income tax	(9,891,293)	21,960	(595,609)	(10,464,942)
Capital expenditure	1,218,579	43,586	6,090,147	7,352,312
	Waste Management and Recycling \$	Operations and Maintenance \$	Landfill Operations \$	Total operating segments \$
Year ended 30 June 2020				
Revenue from contracts with customers	1,399,130	583,446	-	1,982,576
Other income	50,000	-	-	50,000
Operating expenses	(10,555,713)	(539,122)	(795,025)	(11,889,860)
EBITDA	(9,106,583)	44,324	(795,025)	(9,857,284)
Depreciation and amortisation	(1,179,365)	(4,376)	(4,709)	(1,188,450)
Net finance costs	(1,109,700)	(33,022)	(33,022)	(1,175,744)
Impairment losses	(2,245,501)	-	-	(2,245,501)
Loss before income tax	(13,641,149)	6,926	(832,756)	(14,466,979)
Income tax benefit	605,557	33,642	33,642	672,841
Loss after income tax	(13,035,592)	40,568	(799,114)	(13,794,138)
Capital expenditure	506,421	34,724	2,892,480	3,433,625

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Note 26 Operating segments (continued)

Revenue from one customer amounted to \$3,222,174 (2020: Nil) arising from metal recycling within the waste management and recycling CGU.

Revenue from second customer amounted to \$1,120,158 (2020: Nil) arising from metal recycling within the waste management and recycling CGU.

No segments have been aggregated to form the above reportable segments.

Capital expenditure consists of additions of property, plant and equipment, which includes \$6,090,147 for the construction of landfill in Gingin.

The Group's executive management does not review segment assets and liabilities.

All non-current assets are based in Australia.

Note 27 Auditor's remuneration

Fees to Ernst & Young (Australia)

Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities

179,790

422,515

Fees for other assurance services

-

79,350

Fees for other services:

- Tax compliance

27,000

47,500

- R&D services

50,000

-

- Others (due diligence)

-

80,854

256,790

630,219

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Note 28 Key Management Personnel (KMPs) disclosures

The KMPs at 30 June 2021 are as follows:

1. Robert McKinnon – Chairman (resigned 14 October 2020)
2. Tomasz Rudas – Director
3. Richard Allen – Director (resigned 14 October 2020)
4. Mark Puzey – Director (appointed Chairman 28 October 2020)
5. Saithsiri Saksitthisereekul – Director
6. Stephen Hyams – Director (appointed 6 November 2020)
7. Vijay Joshi – Chief Financial Officer
8. Damien Flugge – General Manager
9. John Colli – Company Secretary

	Year ended 30 June 2021	Year ended 30 June 2020
	\$	\$
The aggregate KMP compensation is set out below:		
Short-term benefits	1,266,898	1,120,200
Post-employment benefits	100,460	88,661
Long term benefits	76,040	65,423
Share-based payments	(228,340)	269,438
Bonuses rescinded	-	(1,072,180)
Indemnity cancelled	-	(492,314)
	1,215,058	(20,772)

Bonus Incentive

Pursuant to employment contracts with 3 KMPs dated 1 September 2017, the parties are 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; and
- the participation in an executive share incentive 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 shareholder approval and 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).

As at 30 June 2021, the Company did not provide for these bonus incentives as the terms and conditions of the awards had not yet been determined.

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Note 29 Related party transactions

		Sales to Related parties \$	Purchases from related parties \$	Amounts owed by related parties \$	Amounts owed to related parties \$
Star Shenton Energy Pty Ltd	2021	308,944	-	657,958	-
	2020	583,446	-	631,166	-
Sbang Australia Pty Ltd	2021	-	3,339,628	-	-
	2020	-	-	-	-

- i) Star Shenton Energy Pty Ltd (SSE) - an amount totaling \$308,944 (inclusive of GST) was invoiced during the period for the provision of operations and maintenance services. Vijay Joshi is a KMP of the Company and also a director of SSE.

The Group has a trade receivable from SSE for an amount of \$308,944 (2020: \$583,446) and a loan receivable from SSE of \$349,014 (2020: \$47,720). These amounts are interest bearing at 10% and are payable on demand (refer Note 14).

	2021 \$	2020 \$
Balance as at 1 July	631,166	1,733,238
O&M fees	308,944	583,446
Receipts	(738,274)	(3,095,975)
Loans provided	431,067	1,410,457
Interest	25,055	-
Balance as at 30 June	657,958	631,166

- ii) In March 2020, the Group awarded a contract for the construction of a landfill facility at Gingin WA with a value of \$9,600,000 to Sbang Australia Pty Ltd, a wholly owned subsidiary of M8 Holding Limited (M8H) (formerly named Sbang Sustainable Energies Ltd). M8H exercises significant influence over the Group and Saithsiri Saksitthisereekul is a common director. The contract was awarded following a comprehensive tender process and confirmation from the ASX that prior shareholder approval was not required for the contract.
- iii) The Company is a party to a loan agreement with M8H pursuant to which M8H has agreed to lend up to \$4,000,000 to the Company. Shareholder approval to grant security in favour of M8H for the loan was obtained at the annual general meeting held on 5 June 2020. As at the end of the reporting period, no amount has been borrowed by the Company under the loan. Pursuant to Remagen providing debt facility to the Company, M8H agreed to take second ranking security as and when the loan is disbursed.
- iv) Steve Hyams entered in to a consultancy agreement with the Company upon his appointment as a director on 6 November 2021. The fees paid to Mr Hyams pursuant to the consultancy agreement amounted to \$120,000. Remuneration also 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 including tax expenses associated with the share allocation. The issue of shares is subject to the prior approval of shareholders.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021	30 June 2020
	\$	\$
Note 30 Parent entity disclosure		
Statement of Financial Position		
ASSETS		
Current assets	22,805,813	16,338,844
Non-current assets	7,379,049	11,579,466
TOTAL ASSETS	30,184,862	27,918,310
LIABILITIES		
Current liabilities	2,722,428	1,904,380
Non-current liabilities	17,911,883	6,155,186
TOTAL LIABILITIES	20,634,311	8,059,566
TOTAL NET ASSETS	9,550,551	19,858,744
EQUITY		
Issued capital	41,991,364	41,991,364
Share based payment reserve	1,256,399	1,519,285
Accumulated losses	(33,697,212)	(23,651,905)
TOTAL EQUITY	9,550,551	19,858,744
	\$	\$
Statement of Profit or Loss and Other Comprehensive Income		
Total loss, net of tax	(10,045,307)	(13,762,242)
Loss for the year	(10,045,307)	(13,762,242)

The Parent has not entered into any guarantees with any of its subsidiaries.

The Parent has no contingent liabilities as at year end.

Note 31 Commitments and contingent liabilities

Commitments

A contract to construct the Gingin Landfill was awarded to Sbang Australia Pty Ltd. The contract value has a fixed price of \$9,600,000. From the total fixed value, an amount of \$2,500,000 was paid towards the first phase of construction. Further to that, the Company has procured liners totaling \$589,683. In addition to the above, during the second half of the current financial year, the Company has incurred a further \$1,639,628 towards the landfill construction. As a result, the net commitment is \$4,870,689 at 30 June 2021. A condition of the contract is the Company's right to suspend the contract of its own accord giving additional flexibility should the second phase be delayed due to weather conditions or any such change that the Company deems fit to suspend the project work.

Guarantees

The Group has provided the following bank guarantees at 30 June 2021:

- The Minister for Environment and the Chief Executive Officer of the Office of the Department of Water and Environmental Regulation (DWER) as required by regulatory authorities for the construction of the landfill facility for \$3,500,000.
- The landlord of the Maddington facility for \$406,500.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 31 Commitments and contingent liabilities (continued)

Contingent liabilities

Fernview Environmental Pty Ltd, a wholly owned controlled entity, 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 32 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 2021	30 June 2020
Fernview Environmental Pty Ltd. (ACN 617 674 469)	Australia	100%	100%

Note 33 Financial risk management

The Group's principal financial instruments comprise cash, receivables, payables, borrowings and lease liabilities. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting its future financial security.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include:

- aging analyses and monitoring of specific credit allowances are undertaken to manage credit risk.
- liquidity risk is monitored through the development of future rolling cash flow forecasts.

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. However, 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.

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 33 Financial risk management (continued)

Except for trade receivables, contract assets and other short-term receivables (see below), 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 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. 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.

Market Risk

Market risk comprises two types of risk: interest rate risk and other price risk. For the Group, market risk comprises of interest rate risk. Financial instruments affected by market risk include loans and borrowings, deposits, and debt.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates is restricted to cash and cash equivalents of \$1,815,095. As all borrowings are on fixed rates, there is no significant interest rate risk at the balance sheet date.

Liquidity Risk

Liquidity risk is the risk that the Group 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 the financial obligations. Management prepares and monitors rolling cash flows and regularly reviews existing funding arrangements to manage this risk. Also, M8H has provided a \$4,000,000 loan facility on 3 September 2019 which was approved by the shareholders on 5 June 2020. During the year, the Group obtained a loan from Remagen Capital Management Pty Limited for \$11,000,000 which has a term of 24 months.

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Note 33 Financial risk management (continued)

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

30 June 2021	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Trade payables	1,049,491	39,504	-	-	1,088,995
Accrued and other payables	423,259	-	-	-	423,259
Term borrowings	104,492	214,092	778,101	-	1,096,685
Loan from Remagen	600,000	1,800,000	11,154,871	-	13,554,871
Lease liabilities	433,925	1,301,774	4,598,000	7,860,833	14,194,532
	2,611,167	3,355,370	16,530,972	7,860,833	30,358,342
30 June 2020					
Trade payables	551,675	-	-	-	551,675
Accrued and other payables	398,872	-	-	-	398,872
Term borrowings	-	63,351	1,524	-	64,875
Loan from Remagen	-	-	-	-	-
Lease liabilities	245,750	737,250	4,606,823	9,152,010	14,741,833
	1,196,297	800,601	4,608,347	9,152,010	15,757,255

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The carrying amounts of financial assets and liabilities of the Group carried at amortised cost approximate their fair values.

Note 34 Events after the reporting period

With the exception of the transactions noted below, no material transactions have occurred since 30 June 2021 and the date of the approval of the financial statements which the Directors consider require disclosure.

On 2 August 2021, the Company successfully completed the pro-rata renounceable entitlement issue which was announced on 24 June 2021. 233,229,835 new shares were issued under the pro-rata renounceable entitlement issue raising \$4,664,597, and 4,000,000 were issued to the underwriter.

On 17 September 2021, the Company announced the launch of Access Waste, a commercial and residential skip bin collection business. This initiative also involved an investment in a 50/50 joint venture company, iHUB Technologies Pty Ltd (iHUB) of \$19,500 each month for an 18-month period to secure the rights to the marketing and logistics technology. iHUB will provide the software platform to support bookings for Access Waste.

- End of the Report -