



30 April 2020

The Manager
ASX Market Announcements Office
ASX Limited
60 Bridge Street
Sydney NSW 2000

By email

Dear Sir/Madam

Activities Report and Appendix 4C – quarter ended 31.03.2020

In accordance with Listing Rule 4.7B, please find attached M8 Sustainable Limited's Activities and Appendix 4C cashflow reports for the quarter ended 31.03.2020.

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'.

John Colli
Company Secretary



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QUARTERLY ACTIVITIES REPORT **FOR THE PERIOD ENDED 31 MARCH 2020**

KEY POINTS

- Gingin Landfill Project (“**Gingin**”) construction contract awarded to SBANG
- Key site works continue at Gingin
- Improvement in customer base, waste volumes produced and sale of recycled products at the Maddington Waste Facility (“**Maddington**”)
- Maddington received over 25,900m³ of C&I and 14,100m³ of C&D since August 2019
- Growth in repeat clients at Maddington
- Successfully converting over 75% of waste received at Maddington into recycled products
- M8S implemented necessary processes and procedures across its sites to safeguard key assets of the business against COVID-19

M8 Sustainable Limited (“M8S” or “the Company”) is pleased to provide the following update on its activities for the quarter ended 31 March 2020.

GINGIN LANDFILL PROJECT

The flagship Gingin Landfill Project is a fully-permitted landfill facility with a licensed capacity of 150,000 tonnes per annum.

Following a thorough tendering process, M8S awarded the contract to construct the Gingin Landfill, to Sbang Corporation, a wholly owned subsidiary of SBANG Sustainable Energies Ltd (SBANG).

Established in 2005, SBANG specialises in the design, installation and commissioning of complete plant control systems for small biomass and waste-to-energy power plants as well as providing engineering, procurement and construction services and operations and maintenance services. SBANG has multiple operations in South East Asia, including biomass power plants and water to energy plants in Thailand and Laos. SBANG currently employs over 50 people in its EPC (Engineering, Procurement and Construction) division.

SBANG is the Company’s largest shareholder with a relevant interest in approximately 35.68% of the Company’s issued share capital.

The tender process involved 3 other bidders in addition to SBANG. The key terms of the contract are summarised as follows:

- Parties to the contract – Fernview Environmental Pty Ltd (FVE), a wholly owned subsidiary of the Company and Sbang Corporation Ltd a, a wholly owned subsidiary of SBANG
- Contract value – fixed price of A\$9.6M
- Contract term – turn-key 9-month delivery term from the date of the contract
- Anticipated completion date of contract – third quarter of FY21
- Services provided under the contract – construction of a landfill facility and associated works at FVE’s land at Lot 98 Wannamal Road South Cullalla, Gingin WA
- Source of funds/payment terms of the contract – funds raised by the initial public offering will be utilised to fund the contract; payment terms – upfront payment of A\$2.5M, followed by progress payment of A\$2.1M on completion of earthworks and A\$5M final payment due 14 to 28 days after practical completion. At the discretion of FVE, the final payment may be converted to a 6-month loan at an interest rate of 10%pa
- Other material conditions of the contract – FVE has the right to suspend the contract following the earthworks for a period of up to 18 months and/or terminate the contract at any time and for any reason including termination during the suspension period
- Significance of the contract – completion of the Gingin landfill facility will provide M8S with the opportunity to generate additional revenue through a gate fee charged to third parties.

Bulk earthworks at Gingin are underway via SBANG’s sub-contractor, Doolee Constructions.

Due to the various COVID-19 control measures enforced by the Australian and State Governments, M8S anticipates that completion of construction of the Gingin Landfill will occur in the third quarter of FY21.



Image 1: Gingin Construction Site Office



Image 2: Turkeys Nest (Main Access Road in Background)



Image 3: Cell 1



Image 4: Cell 1 Excavation



Image 5: Leachate Pond Excavation (Cell 1 in Background)

MADDINGTON FACILITY

Maddington is a specialist waste and recycling facility that is focused on the processing of Commercial & Industrial (C&I) and Construction & Demolition (C&D) waste and the production of high-quality recycled products for sale, which includes recycled road base, aggregates and clean fill material. The facility has an approved annual licence capacity of 500,000tpa.

Since re-opening in August 2019, the Maddington recycling facility has delivered steady growth in its customer base, waste volumes processed and the sale of recycled products.

- **Customer Base** – The site has serviced 118 individual customers since August 2019, with 77 repeat customers. Customers utilising the site include major waste management companies, civil contractors, skip bin operators, demolition contractors, residential & commercial builders.
- **Waste Volumes** – Over 14,100m³ of C&D and 25,900m³ of C&I waste has been received since August 2019. Average daily waste volumes have increased from 80m³ /day in August 2019 to approximately 313m³ /day in March 2020, following a peak of approx. 400m³ in February. A strategy has been recently implemented to focus on the quality of waste accepted rather than volumes, to reduce the amount being directed to landfill and thereby improve margins. Given the change in strategy and the current COVID-19 crisis, there is no certainty that volumes will be maintained.
- **Sale of Recycled Products** - Sold over 29,000 tonnes of recycled civil products and 315 tonnes of steel since August 2019. Successfully diverting over 75% of waste received from landfill and into recycled products.

M8S continues to accept waste daily at Maddington, however due to restrictions imposed by the government in relation to COVID-19, the Company has recently experienced lower waste volumes. To manage any possible further reduction in volumes, M8S is closely monitoring the construction sector and evaluating how a short-term slowdown in the C&I and C&D sector may impact the Company's activities.

In the interim, the Company has implemented steps to lower operational costs and focus on the margins of waste streams, rather than volumes. Maddington continues to provide waste management services to local government and waste management clients, as well as expanding its service provision by offering a domestic trailer waste drop-off option for residential customers.

COVID-19

M8S implemented required policies and procedures across its operations to ensure the safety and wellbeing of all Company employees, contractors and customers.

M8S also made the prudent decision to implement certain cost-effective strategies across operations in anticipation of a possible down-turn in construction industry. This included a 25% salary reduction for an initial 2-month period for the Board, management and administrative staff.

M8S continues to diligently monitor COVID-19 and apply short-term strategies focused on safeguarding the key assets of the business, lowering operational costs and ensuring business continuity.

ENDS-

For further information please contact:

Tom Rudas, Managing Director, (08) 61409518

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

Cameron Gilenko, Citadel-MAGNUS 0466 984 953

Appendix 4C

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

Name of entity

M8 Sustainable Limited

ABN

12 620 758 358

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months 31.03.20) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	296	2,366
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(764)	(1,373)
(c) advertising and marketing	0	0
(d) leased assets	(67)	(203)
(e) staff costs	(630)	(1,673)
(f) administration and corporate costs	(436)	(1,604)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other (IPO Related Expenses)	0	(1,220)
1.9 Net cash from / (used in) operating activities	(1,601)	(3,707)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(2,851)	(3,179)
(d) investments	0	0
(e) intellectual property	0	0

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months 31.03.20) \$A'000
(f) other non-current assets	0	(261)
2.2 Proceeds from disposal of:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	7	108
(d) investments	0	0
0 (e) intellectual property	0	0
(f) other non-current assets	0	0
2.3 Cash flows from loans to other entities	0	0
2.4 Dividends received (see note 3)	0	0
2.5 Other (provide details if material)	0	0
2.6 Net cash from / (used in) investing activities	(2,844)	(3,332)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	0	19,500
3.2 Proceeds from issue of convertible debt securities	0	1,749
3.3 Proceeds from exercise of options	0	0
3.4 Transaction costs related to issues of equity securities or convertible debt securities	0	(685)
3.5 Proceeds from borrowings	152	1,599
3.6 Repayment of borrowings	(436)	(8,822)
3.7 Transaction costs related to loans and borrowings	0	0
3.8 Dividends paid	0	0
3.9 Other (Cash backed Bank Guarantee)	0	(407)
3.10 Net cash from / (used in) financing activities	(284)	12,934

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	10,665	41
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,601)	(3,707)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months 31.03.20) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,844)	(3,332)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(284)	12,934
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	5,936	5,936

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,936	5,936
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,936	5,936

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	0
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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

While finalising the half year financial report, for the period ended 31 December 2019, certain items were reclassified including IPO related transactions from operating activities to financing activities. As a result, net cash used in operating activities dropped as reported from \$4,416 to \$2,107 improving the operating activities by \$2,309 with an equivalent increase of \$2,309 in use of financing activities. The impact of the above has now been included in the year to date (9 months period) report. Cashflow from investing activities remained unchanged. *(The figures in the note above are all AUD in thousands).*

As part of the IPO commitments; M8 Sustainable Limited (M8S) was obliged to pay the interest to SBANG Sustainable Energies Limited; the Shareholders of the Company against the finance provided through Loan and Convertible Loans. As on the date of reporting the said debt has been settled in full.

7. Financing facilities

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

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

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

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

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,601)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,936
8.3 Unused finance facilities available at quarter end (Item 7.5)	4,000
8.4 Total available funding (Item 8.2 + Item 8.3)	9,936
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6.20

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

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

Answer:
Not Applicable

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

Answer:
As outlined in the Company's Prospectus dated 30 October 2019, M8S has entered into a loan agreement with Sbang Sustainable Energies Ltd (Sbang) pursuant to which Sbang has agreed to lend up to AUD\$4M to the Company (Sbang Loan). A condition precedent of the Sbang Loan is that the Company is required to obtain shareholder approval for the purposes of ASX Listing Rule 10.1 to grant security in favour of Sbang in security of the Sbang Loan before it can request an advance. M8S will be seeking shareholder approval of the Sbang Loan at its Annual General Meeting which is anticipated to be held on 5 June 2020.

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

Answer:

Yes. Following the successful completion of Company's IPO in raising \$19.5m and the anticipated shareholder approval of the Sbang Loan as outlined in item 8.6(2) above, the Company is well placed to pursue the completion of the Gingin landfill project and to promote and enhance the operating activities of Company's Maddington site.

Compliance statement

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

Date: 30 April 2020

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

Notes

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