M8 Sustainable Ltd
ACN 620 758 358

Appendix 4D

ASX listing rule 4.2.A.3

Report for the half year ended 31 December 2021

Reporting Period: 6 months ended 31 December 2021

Previous Corresponding Period: 6 months ended 31 December 2020

The Half-Year Consolidated Financial Report should be read in conjunction with the financial statements for the year ended 30 June 2021.

Results for announcement to the market	**31 December 2021 $'000**	**31 December 2020 $'000**	**Change Up / Down $'000**	**Change Movement %**
Revenue from ordinary activities	7,723	2,056	5,667	276%
Profit/(Loss) from ordinary activities after tax attributable to members	(5,118)	(9,265)	4,147	45%
Profit/(Loss) for the period attributable to members	(5,118)	(9,265)	4,147	45%

Dividends	**Amount per Security (Cents)**	**Franked Amount Security at 30%**
Final 2021 fully franked dividend	Nil	0%
Interim 2022 fully franked dividend	Nil	0%

Net Tangible Assets (NTA) per security	31 December 2021 $	31 December 2020 $
NTA per security	0.02	0.04

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

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

M8 SUSTAINABLE LIMITED
ACN 620 758 358
AND ITS CONTROLLED ENTITY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

M8 SUSTAINABLE LIMITED

CORPORATE DIRECTORY

Directors
Mark Puzey, Chairman
Tomasz Rudas, Managing Director and Chief Executive Officer
Saithsiri Saksitthisereekul
Stephen Hyams (resigned 23 November 2021)
Jonathan Fisher (appointed 4 October 2021; resigned 3 December 2021)

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

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

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

M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY
CONTENTS

The Directors present their report for M8 Sustainable Limited ("M8 Sustainable" or "the Company") and its controlled entity ("the Group") for the half year ended 31 December 2021.

DIRECTORS

The directors of the Company that held office during the half year ended 31 December 2021 and up to the date of this report, unless otherwise indicated, are:

Mark Robert Puzey, Chairman
Tomasz Jacek Rudas, Managing Director and Chief Executive Officer
Saithsiri Saksitthisereekul
Stephen David Hyams (resigned 23 November 2021)
Jonathan Duirs Fisher (appointed 4 October 2021; resigned 3 December 2021)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Operations

For the half year ended 31 December 2021, the Group recorded revenue from contracts with customers of $7,722,682 compared to $2,056,438 for the prior corresponding period ("pcp"), an increase of 276%.

Total income was $7,745,463 compared to $2,451,247 for the pcp, an increase of 216%.

Other income for the reporting period was $22,781 compared to $394,809 for the pcp. The prior period included one-off receipts from the Government's stimulus package.

The Group recorded a loss after tax of $5,118,288 for the reporting period which was mainly impacted by recognising an impairment charge of $2,512,780. This compares to a loss after tax of $9,264,771 for the pcp which included an impairment of $6,981,753.

Maddington Waste Facility ("Maddington")

Recycling activities associated with construction & demolition ("C&D") and commercial & Industrial ("C&I") waste at Maddington continued to be subdued for the reporting period. Product sales were also reduced due to the seasonally wet conditions which in turn impacted the civil construction sector. The Group undertook an impairment assessment as at 31 December 2021 and determined that the carrying value of the Maddington site exceeded its recoverable value. As a consequence, an impairment charge of $2,512,780 was recorded.

Whilst progressing the completion and licensing of the Gingin landfill facility, the Company increased its metals recycling activities. Total revenue generated from metals recycling at Maddington was $6,979,777 for the six months ended 31 December 2021 compared to $4,578,455 for the six months ended 30 June 2021. Since the end of the reporting period, the Company's focus has been on the completion of the Gingin landfill facility. With this being a priority, funds have been directed to achieving this milestone with a consequent slow-down in steel activities.

Total revenue from customers was $7,722,682 compared to $2,056,438 for the pcp.

In mid-September 2021, the Company launched Access Waste – an industry first, cloud-based waste management and logistics platform.

The development and launch of Access Waste is a key component of the Company's waste strategy designed to generate waste for disposal at Gingin and support the daily operations at Maddington, whilst minimising the Company's investment in logistics infrastructure by utilising third party logistics providers to service the Company's customers.

The launch of Access Waste involved the Company investing $351,000 over an 18-month period to acquire a 50% interest in iHUB Technologies Pty Ltd ("Technologies"). The Company acquired 351,000 shares in Technologies through the issue of new shares to acquire a 50% interest in Technologies, the entity which will provide the software platform for Access Waste. Technologies was previously 100% owned by iHUB Solutions Pty Ltd ("Solutions").

Technologies has been assigned the intellectual property from Solutions which will be used to deliver the Access Waste platform. Additionally, the Company has invested in skip bins and leased two trucks in its own right as required equipment for the new joint venture.

The launch of Access Waste has been well received by Perth residents and businesses and surpassed the Company's expectations.

The commercial roll-out of Access Waste is set to take place in three stages, with ramp-up of volume generation (phase two) planned to coincide with the anticipated opening date of the Company's Gingin landfill facility by the end of April 2022.

Currently, Access Waste is focusing on the launch of its cloud-based logistics systems, asset procurement, branding, mobilisation of operational assets and roll-out of its waste collection services.

Brockwaste Recycling and Processing Facility ("Brockwaste")

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

Gingin Landfill Facility ("Gingin")

Construction of Gingin, the Company's fully-permitted landfill facility with a licensed capacity of 150,000 tonnes per annum, is nearing the final stages.

Installation of liners for Cell 1 is now 90% complete. However, the December holiday period along with recent extreme weather conditions, has resulted in the Company experiencing some delays in the anticipated construction timeline.

Whilst it was previously anticipated that Gingin would be operational in the first quarter of calendar year 2022, it is currently expected that the activities will commence at Gingin by the end of April 2022. This follows the final license application which is anticipated to be submitted to authorities in early March 2022.

Corporate

Board Changes

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

- Stephen Hyams resigned as a Non-Executive Director on 23 November 2021.
- Jonathan Fisher was appointed as a Non-Executive Director on 4 October 2021 and resigned on 3 December 2021.

Equipment Financing

In December 2021, the Company entered into a lease agreement with Iron Capital No.2 Pty Ltd for an amount of $473,875 for two skip bin trucks for the Maddington facility.

Renounceable Rights Issue

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 $4,664,596. 4,000,000 new shares and 10,000,000 options were also issued to the underwriter (or their nominees) in connection with this entitlement issue.

M8 Holding Loan Facility

The Company is party to a loan facility agreement ("the Facility") with M8 Holding Limited ("M8H"), the Company's largest shareholder, pursuant to which M8H has agreed to lend up to $4 million to the Company.

On 29 October 2021, the Company issued a letter to M8H seeking to draw down on the Facility. The funds are to be utilised for current capital projects and to meet working capital requirements. As at 31 December 2021, amount due to M8H is $450,597. The Facility has an interest rate of 10% pa and is repayable 24 months after the first advance is made or such other date as agreed between the parties.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS

The directors have determined that no interim dividend be declared (2020: Nil).

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

There are no material transactions that have occurred since 31 December 2021 up until the date of this report, which the directors consider require disclosure.

AUDITOR'S INDEPENDENCE DECLARATION

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

This report is signed in accordance with a resolution of the directors.

Tomasz Rudas
Director

Dated this 28th day of February 2022

Perth
Western Australia

The directors of the Company declare that:

1. In the Directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and giving a true and fair view of the financial position of the Group as at 31 December 2021 and performance of the Group for the half year ended 31 December 2021; and

2. In the Directors' opinion, subject to the matters detailed in Note 2(a)(ii), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Tomasz Rudas
Director

Dated this 28th day of February 2022

Perth
Western Australia

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Conclusion

We have reviewed the accompanying half-year financial report of M8 Sustainable Limited (the Company) and its subsidiary (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising of a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(a)(ii) in the half-year financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Building a better working world

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
Perth
28 February 2022

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the review of the half-year financial report of M8 Sustainable Limited for the half-year ended 31 December 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 review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
28 February 2022

M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY

Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For the Half-Year Ended 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
Revenue from contracts with customers	3	7,722,682	2,056,438
Other income	3	22,781	394,809
Total revenue and income		**7,745,463**	**2,451,247**
Employee related expenses	4	(1,508,630)	(1,820,144)
Recycling, waste disposal and other site costs	5	(7,100,995)	(1,330,020)
Rental outgoings and license fees		(194,329)	(203,366)
Insurance costs		(171,240)	(177,044)
Professional fees		(256,289)	(205,185)
Depreciation of property, plant and equipment	6	(792,722)	(703,477)
Finance costs		(106,918)	(72,404)
Share in loss of joint venture		(11,792)	-
Impairment of non-financial assets	7	(2,512,780)	(6,981,753)
Other expenses	8	(208,056)	(222,625)
Loss before tax from continuing operations		**(5,118,288)**	**(9,264,771)**
Income tax benefit		-	-
Loss for the period		**(5,118,288)**	**(9,264,771)**
Other comprehensive loss		-	-
Total comprehensive loss for the financial period attributable to the equity holders of the Company		**(5,118,288)**	**(9,264,771)**

Earnings per share:

	Notes	31 December 2021	31 December 2020
• Basic loss per share attributable to ordinary equity holders of the Parent Company (cents per share)	9	(1.1)	(4.0)
• Diluted loss per share attributable to ordinary equity holders of the Parent Company (cents per share)	9	(1.1)	(4.0)

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

M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	31 December 2021 $	30 June 2021 $
CURRENT ASSETS			
Cash and cash equivalents	10	486,481	1,815,095
Trade and other receivables	11	1,475,215	1,653,655
Prepayments		438,199	249,727
Inventory		-	388,568
Total Current Assets		**2,399,895**	**4,107,045**
NON-CURRENT ASSETS			
Property, plant and equipment		25,606,965	20,829,518
Right-of-use assets		1,874,692	3,428,024
Investment in joint venture		339,208	-
Other non-current assets		3,906,500	3,906,500
Total Non-current Assets		**31,727,365**	**28,164,042**
TOTAL ASSETS		**34,127,260**	**32,271,087**
CURRENT LIABILITIES			
Trade and other payables	12	3,447,153	1,512,254
Borrowings	13	2,605,836	1,086,174
Lease liabilities	14	972,736	871,674
Provisions	15	144,223	107,068
Total Current Liabilities		**7,169,948**	**3,577,170**
NON-CURRENT LIABILITIES			
Borrowings	13	9,450,221	10,518,497
Lease liabilities	14	8,105,666	8,196,251
Other payables		39,000	-
Total Non-current Liabilities		**17,594,887**	**18,714,748**
TOTAL LIABILITIES		**24,764,835**	**22,291,918**
NET ASSETS		**9,362,425**	**9,979,169**
EQUITY			
Issued capital	16	46,513,006	41,991,364
Share based payment reserve		1,236,301	1,256,399
Accumulated losses		(38,386,882)	(33,268,594)
TOTAL EQUITY		**9,362,425**	**9,979,169**

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

M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2021

	Issued capital	Share based payment reserve	Accumulated losses	Total equity
	$	$	$	$
Balance as at 1 July 2020	41,991,364	1,519,285	(22,803,652)	20,706,997
Loss after tax	-	-	(9,264,771)	(9,264,771)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(9,264,771)	(9,264,771)
Share based payments	-	222,923	-	222,923
Share options	-	18,864	-	18,864
Total transactions with owners recorded directly in equity	-	241,787	-	241,787
Balance at 31 December 2020	**41,991,364**	**1,761,072**	**(32,068,423)**	**11,684,013**
Balance at 1 July 2021	41,991,364	1,256,399	(33,268,594)	9,979,169
Loss after tax	-	-	(5,118,288)	(5,118,288)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(5,118,288)	(5,118,288)
Shares issued – Rights issue	4,664,596	-	-	4,664,596
Shares issued to KMPs and directors	141,750	-	-	141,750
Shares issued to underwriters of rights issue	80,000	-	-	80,000
Capital raising costs	(364,704)	-	-	(364,704)
Share options	-	(20,098)	-	(20,098)
Total transactions with owners recorded directly in equity	4,521,642	(20,098)	-	4,501,544
Balance as at 31 December 2021	**46,513,006**	**1,236,301**	**(38,386,882)**	**9,362,425**

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

M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2021

	31 December 2021 $	31 December 2020 $
Cash flows used in operating activities		
Loss after income tax	(5,118,288)	(9,264,771)
Adjustments for:		
Non-cash items:		
Depreciation	792,722	703,477
Impairment of assets	2,512,780	6,981,753
Gain on disposal of property, plant and equipment	(95,952)	-
Share-based payment expense	121,652	241,787
Share of loss in joint venture	11,792	-
Changes in assets and liabilities		
Decrease in trade and other receivables	178,440	270,279
Increase in prepayments	(188,472)	(137,714)
Decrease in inventory	388,568	-
Increase/(decrease) in trade payables and other payables	354,738	(34,467)
Increase in provisions	37,155	642
Net cash flows used in operating activities	**(1,004,865)**	**(1,239,014)**
Cash flows used in investing activities		
Purchase of property, plant and equipment	(3,080,305)	(1,936,463)
Capitalised interest paid	(1,763,938)	(441,234)
Proceeds from sale of fixed assets	310,613	-
Investment in joint venture	(78,000)	-
Net cash flows used in investing activities	**(4,611,630)**	**(2,377,697)**

M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2021

	31 December 2021 $	31 December 2020 $
Cash flows from financing activities		
Proceeds from rights issue	4,664,596	-
Repayment of amount due to related company	-	(145,025)
Proceeds from M8 Holding Limited loan	450,597	-
Proceeds from short-term loans	225,436	351,343
Repayment of short-term loans	(90,654)	(172,261)
Proceeds from equipment finance loans	-	866,456
Repayment of equipment finance loans	-	(32,535)
Repayment of Remagen loan	(133,991)	-
Repayment of principal portion of lease liabilities	(463,399)	(161,299)
Payment of capital raising costs	(364,704)	-
Net cash flows from financing activities	**4,287,881**	**706,679**
Net decrease in cash and cash equivalents	**(1,328,614)**	**(2,910,032)**
Cash and cash equivalents at the beginning of the financial period	**1,815,095**	**4,164,270**
Cash and cash equivalents at the end of the period	**486,481**	**1,254,238**

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

Note 1. Corporate Information

These interim consolidated financial statements of M8 Sustainable Limited (the “Company” or the “Parent”) and its subsidiary (collectively the “Group”) for the six months ended 31 December 2021, were authorised for issue in accordance with a resolution of the Directors on 28 February 2022.

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

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

a) Basis of preparation

(i) Compliance statement

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

The interim consolidated half-year financial statements do not include all notes of the type normally included in annual financial statements. Accordingly, these interim consolidated half-year financial statements are to be read in conjunction with the 2021 Financial Statements for the year ended 30 June 2021 and any public announcements made by the Company during the period ended 31 December 2021 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

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

(ii) Going concern

For the period ended 31 December 2021, the Group recorded a net loss before tax of $5,118,288 (2020: $9,264,771) and had operating and investing cash outflows of $5,616,495 (2020: $3,616,711). As at 31 December 2021, the Group’s cash and cash equivalents amounted to $486,481 (30 June 2021: $1,815,095), it had net current liabilities of $4,770,053 (30 June 2021: net current assets of $529,875) and had access to an undrawn debt facility of $3,549,403. In addition, the Group’s cash flow forecasts for the 12 months ended February 2023 show that it will be required to raise additional equity or debt in order to fund working capital and debt repayment requirements.

The Group has implemented initiatives to address the Company’s liquidity with the view to improve future revenue and margins as well as to lower costs. These initiatives included the following:

- In June 2021, the Company undertook a fully underwritten rights issue to raise $4,664,596. The funds were received by the Company on 2 August 2021.
- In mid-September 2021, the Company launched Access Waste, an online waste management and logistics platform. Initial activity levels have been encouraging which are expected to lead to improved revenue streams as well as providing waste volumes for the Gingin landfill when its operations commence.
- In December 2021, the Company commenced drawing on the $4 million loan facility in place with M8H. As at 31 December 2021, amount due to M8H is $450,597.
- In December 2021, the Company implemented a number of cost cutting and income generating measures which included the following:
  - 25% deferment of Directors’ fees and executive management salaries until 30 June 2022.
  - short term rentals of a number of items of the Group’s mobile plant equipment to generate income.
- Construction of the Group’s landfill at Gingin is progressing and anticipated to be in operation by the end of April 2022 with the expectations that it will generate additional revenue for the Group.
- The Directors regularly review the Group’s liquidity and capital requirements.

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

a) Basis of preparation (continued)

(ii) Going concern (continued)

The directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of approval of these interim consolidated financial statements. The directors believe that the Group will need additional access to debt or equity funding in order to meet working capital and debt repayment requirements. The directors are confident in their ability to access this funding within the timeframes required and accordingly, the directors consider that it is appropriate to prepare the Group's interim consolidated financial statements on a going concern basis.

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

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

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

In the current half-year, the Group has applied the below amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are effective for the Group's reporting period that began on 1 July 2021. Their adoption has not had a material impact on the disclosures and/or amounts reported in these financial statements:

- AASB 2020-8 Amendments to Australian Accounting Standards – *Interest Rate Benchmark Reform – Phase 2*
- AASB 2021-3 Amendments to Australian Accounting Standards – *Covid-19-Related Rent Concessions beyond 30 June 2021*

		31 December 2021 $	31 December 2020 $
Note 3	**Revenue from contracts with customers**		
	Operations and maintenance ("O&M") service fee	120,000	190,858
	Construction and demolition ("C&D") waste revenue	408,795	1,547,570
	Commercial and industrial ("C&I") waste revenue	92,483	318,010
	Steel recycling revenue	6,979,777	-
	Skip bin revenue	121,627	-
	Total revenue	**7,722,682**	**2,056,438**

M8 Sustainable receives gate fees for C&D materials as well as C&I materials. Revenue is recognised at the point in time when the weighing and acceptance has been completed.

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

Note 3 Revenue from contracts with customers (continued)

Other income

	31 December 2021 $	31 December 2020 $
Interest received	22,781	2,072
Government stimulation packages	-	67,500
Other revenue	-	9,754
Research and development claim received	-	315,483
	22,781	**394,809**

Note 4 Employee benefits, salaries and wages

	31 December 2021 $	31 December 2020 $
Wages and salaries expenses	(1,049,145)	(984,695)
Labour contracting	(232,835)	(526,452)
Consulting	(105,000)	(58,344)
Director benefits	-	(27,730)
Share-based payment expenses	(121,650)	(222,923)
	(1,508,630)	**(1,820,144)**

Note 5 Recycling, waste disposal and other site costs

	31 December 2021 $	31 December 2020 $
Waste disposal costs	(167,866)	(350,064)
Recycled steel purchases	(6,716,905)	(81,806)
Power, fuel and oil	(38,876)	(112,136)
Equipment hire	(1,224)	(394,626)
Repairs, maintenance and consumables	(165,398)	(202,545)
Other	(10,726)	(188,843)
	(7,100,995)	**(1,330,020)**

Note 6 Depreciation of property, plant and equipment

	31 December 2021 $	31 December 2020 $
Depreciation on property, plant and equipment	(203,487)	(408,215)
Amortisation on right-of-use assets	(589,235)	(295,262)
	(792,722)	**(703,477)**

Note 7 **Impairment of assets**

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

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 24% (post tax 18%) (2020: 14.3% (post tax (10%)). The cashflows for the period subsequent to the 3.5 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 3.5-year period is 0% (2020: 0%).

At the half year ended 31 December 2021, impairment testing identified that the carrying value of the Maddington CGU exceeded its estimated recoverable value. The Group recorded an impairment loss of $2,512,780 which is set out in the following table:

	31 December 2021 $	**30 June 2021 $**
Maddington waste facility CGU		
Carrying value of net assets	5,788,705	12,026,452
Estimated recoverable amount	(3,275,925)	(5,044,699)
Impairment recognised	**2,512,780**	**6,981,753**

	Property, Plant and Equipment	**Right-of-use Asset**	**Total**
Half-year ended 31 December 2021	**$**	**$**	**$**
Impairment recognised	1,074,808	1,437,972	2,512,780
Year ended 30 June 2021	**$**	**$**	**$**
Impairment recognised	3,181,901	3,799,852	6,981,753

Note 7 Impairment of assets (continued)

As at 31 December 2021, the calculation of value in use for the Maddington is most sensitive to the following assumptions:
- Discount rates
- 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. A real post-tax discount rate of 18% has been applied. As at 31 December 2021, an increase in post-tax discount rate of 1% (i.e. 19%) in Maddington CGU would result in a further impairment of $207,783.
C&I and C&D waste volumes	The C&I and C&D waste volumes are increased over the budget period for FY22 to FY25. For FY21, Maddington site achieved 21% utilisation against its license capacity of 500,000 tpa. The Budget assumes a utilisation to be 9% in FY22, 40% in FY23, 43% in FY24 and 47% in FY25 of the licensed capacity. As at 31 December 2021, a decrease of 5% per annum in the C&I and C&D waste volumes in the Maddington CGU would result in a further impairment of $1,294,972.

Note 8 Other expenses

	31 December 2021 $	31 December 2020 $
Marketing related costs	(25,353)	(2,298)
Office expenses	(47,157)	(28,939)
IT costs	(51,803)	(24,159)
Secretarial, legal and business expenses	(140,418)	(132,882)
Motor vehicle related expenses	(31,407)	(20,620)
Gain on disposal of property, plant and equipment	95,952	-
Provision for doubtful debts	-	(13,727)
Other expenses	(7,870)	-
	(208,056)	**(222,625)**

Note 9 **Earnings per share**

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

	2021 Number	2020 Number
Weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share	477,209,670	233,229,835
Weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share	477,209,670	233,229,835
	$	**$**
Loss attributable to ordinary equity holders of the Company	(5,118,288)	(9,264,771)
Loss per share (cents)	**(1.1)**	**(4.0)**
	Number	**Number**
The estimated number of potential ordinary shares on issue but not included in the diluted loss per share as they are anti-dilutive or contingently issuable	40,000,000	39,233,709

Note 10 **Cash and cash equivalents**

	31 December 2021 $	30 June 2021 $
Cash on hand and at bank	**486,481**	**1,815,095**

Note 11 **Trade and other receivables**

	31 December 2021 $	30 June 2021 $
Trade receivables (i)	1,106,822	915,555
Amounts due from Star Shenton Energy Pty Ltd (ii)	231,000	308,944
Loan receivables from Star Shenton Energy Pty Ltd (ii)	277,227	349,014
Loan receivables from Minesite Recycling Pty Ltd	-	250,000
Loan receivables from A to Z Recycling	30,024	-
	1,645,073	1,823,513
Allowance for expected credit losses	(169,858)	(169,858)
	1,475,215	**1,653,655**

(i) Trade receivables are non-interest bearing and generally on 30 to 90 day terms. As at the reporting date, $169,858 was provided as an allowance for doubtful debts.

(ii) Amounts due from Star Shenton Energy Pty Ltd (SSE) relate to trade receivables. Loan receivables from Star Shenton Energy Pty Ltd relate to loans provided to SSE. 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.

Note 12 Trade and other payables

	31 December 2021 $	30 June 2021 $
Trade payables	2,591,143	1,088,995
Accrued and other payables	622,010	423,259
Payable for iHub Technologies Pty Ltd acquisition	234,000	-
	3,447,153	**1,512,254**

Note 13 Borrowings

	31 December 2021 $	30 June 2021 $
Term borrowings – Pepper Asset Financing (i)	-	1,241
Term borrowings – ScotPac Business Finance (ii)	633,905	700,660
Term borrowings – Bigstone Finance (iii)	111,699	134,358
Premium funding of insurance (iv)	257,321	31,887
Remagen loan (v)	10,602,535	10,736,525
M8 Holding Ltd (Thailand) (vi)	450,597	-
	12,056,057	11,604,671
Less: Non-current portion	(9,450,221)	(10,518,497)
Current portion	**2,605,836**	**1,086,174**

(i) Term borrowings from Pepper Asset Financing Pty Ltd relate to financing of the Company's motor vehicle which had an interest rate of 7.99% per annum and was fully settled during the period.

(ii) Term borrowings from Scottish Pacific Business Finance Pty Ltd relate to financing of the Company's mobile plant which has an interest rate of 11.49% and is repayable in monthly instalments by 12 October 2025. Current liability component amounts to $127,961.

(iii) Term borrowings from Bigstone Lending Pty Ltd relate to financing of the Company's mobile plant which has an interest rate of 24.19% and is repayable in monthly instalments by 12 October 2023. Current liability component amounts to $54,331.

(iv) Premium funding of insurance with Principal Finance and BOQ Financing for $215,456 and $41,865 respectively.

(v) During the prior year, the Company obtained a finance facility from Remagen Capital Management Pty Limited (Remagen) for $11,000,000. The facility was 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 $2,166,223. 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.

Note 13 Borrowings (continued)

(vi) In September 2019 the Company entered loan facility agreement ("the Facility") with M8 Holding Limited ("M8H")(formerly named Sbang Sustainable Energies Limited), the Company's largest shareholder, pursuant to which M8H has agreed to lend up to $4 million to the Company. On 29 October 2021, the Company issued a letter to M8H seeking to draw down on the Facility. The funds are to be utilised for current capital projects and to meet working capital requirements. As at 31 December 2021, amount due to M8H is $450,597. Key terms of the Facility are as follows:

Loan Amount:	$4,000,000
Interest Rate:	10% per annum
Term:	24 months after the first advance is made or such other date as agreed between the parties
Security:	security interest over all of the present and future property and assets of the Com pany and its controlled entity, Fernview Environmental Pty Ltd which was approved by the Company's shareholders at the annual general meeting held in June 2020. As a consequence of the Company entering into a loan facility with the Remagen, M8H has agreed to take second ranking security for the Facility.

Note 14 Lease liabilities

	31 December 2021 $	30 June 2021 $
As at 1 July	**9,067,925**	**7,685,185**
Additions	473,875	1,897,501
Accretion of interest	512,794	948,340
Repayment of principal portion of lease liabilities	(463,399)	(514,760)
Repayment of interest portion of lease liabilities	(512,793)	(948,341)
As at 31 December	**9,078,402**	**9,067,925**
Current	972,736	871,674
Non-current	8,105,666	8,196,251
As at 31 December	**9,078,402**	**9,067,925**

Note 15 Provisions

	31 December 2021 $	30 June 2021 $
Employee provisions	**144,223**	**107,068**

Note 16 Issued capital

(a) Issued and paid-up capital	**Number**	**Number**
Issued and fully paid ordinary shares	477,209,670	233,229,835

	31 December 2021	**30 June 2021**
(b) Movement in ordinary shares	**$**	**$**
Balance at 1 July	41,991,364	41,991,364
Issuance of shares through rights issue	4,664,596	-
Issued to KMPs	84,000	-
Issued to directors	57,750	-
Issued to underwriters of rights issue	80,000	-
Capital raising costs	(364,704)	-
Ending balance	**46,513,006**	**41,991,364**

(b) Movement in ordinary shares	**Number**	**Number**
Balance at 1 July	233,229,835	233,229,835
Issuance of shares through rights issue	233,229,835	-
Issued to KMPs	4,000,000	-
Issued to directors	2,750,000	-
Issued to underwriters of rights issue	4,000,000	-
Ending balance	**477,209,670**	**233,229,835**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. Effective 1 July 1998, the Corporations legislation at that time abolished the concepts of authorised capital and par share values. Accordingly, the Company does not have authorised capital and the ordinary shares on issue do not have a par value.

Note 17 Related party transactions

The following related party transactions occurred during the period:

i) Star Shenton Energy Pty Ltd ("SSE") – an amount totaling $132,000 was invoiced during the period for the provision of O&M services. Vijay Joshi is a Key Management Personnel (KMP) of the Company and also a director of SSE.

ii) The Group has a receivable from SSE for an amount of $508,227. This amount includes $233,903 of advances given to SSE and interest of $43,324. These amounts are interest bearing at 10% per annum and are payable on demand. The Company has registered its secured interest through the Personal Property Securities Register (PPSR) register on equipment owned by SSE and maintained at the Company's Maddington site.

Note 17 Related party transactions (continued)

iii) 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 Sbang Corporation Limited. Sbang Corporation Limited is a wholly owned subsidiary of Clover Power Public Company Limited. Saithsiri Saksitthisereekul, who is a director of the Company, is also a director of Clover Power Public Company Limited. The contract was awarded following a comprehensive tender process and confirmation from the ASX that prior shareholder approval was not required for the award of the contract.

iv) 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, amount due to M8H is $450,597. Pursuant to Remagen providing its debt facility to the Company, M8H agreed to take second ranking security as and when the loan is disbursed.

v) Steve Hyams entered in to a consultancy agreement with the Company upon his appointment as a director on 6 November 2020. The fees paid to Mr Hyams pursuant to the consultancy agreement amounted to $105,000 (2020: $30,000) during the period. Remuneration also included an issue of 750,000 shares in the Company, which was issued on 3 December 2021. Mr Hyams resigned as a director on 23 November 2021.

vi) On 3 December 2021, the Company issued 2,000,000 fully paid ordinary shares each to KMPs Tomasz Rudas, Vijaykumar Joshi and Damien Flugge or their nominees. The shares are not subject to any restrictions or escrow requirements. The shares were issued as part of remuneration for services rendered to the Company by the respective individuals. Therefore, there is no cash consideration associated with the issue of the shares.

Note 18 Commitments and Contingent liabilities

Commitments

A contract to construct the Gingin landfill facility was awarded to SBANG Australia Pty Ltd. The contract value is a fixed price of $9.6 million. From the total fixed value, an amount of $5.7 million has been paid towards the construction. The Group's outstanding commitment of $3.9 million is subject to a minor variation whereby the Group has procured liners at a cost of $589,683 on its own account. A material condition of the contract gives the Group the right to suspend the contract, at its discretion, and therefore granting the Group additional flexibility in the event that the second phase is delayed due to weather conditions or any such change that the Group deems fit to suspend the project.

The Group also entered into a commitment with Hanson Construction Materials Pty Ltd to procure granite railway ballast for the landfill construction amounting to $561,600. As at 31 December 2021, the Group has paid an amount of $50,000.

Contingent liabilities

Fernview Environmental Pty Ltd, a wholly owned subsidiary of the Company, has a royalty agreement whereby it will pay Fernview Development Group Pty Ltd (an unrelated party) a royalty of $1.50 per tonne based on the number of tonnes of waste received at the Gingin landfill facility. Payment is contingent on the completion of the Gingin facility and the subsequent receipt of waste.

The Group does not have any other contingent liabilities as at balance sheet date (30 June 2021: Nil) and none have arisen since balance sheet date to the date of signing the Directors' report.

Note 19 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 operating 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. Their 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 increased its metals recycling activities. Operations include aggregating, processing and selling of recycled metal to both local and export markets.

(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 at 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 are shown in the following table:

	Waste Management and Recycling	Operations and Maintenance	Landfill - Gingin	Total operating segments
Half-Year ended 31 December 2021				
Revenue from external customers	7,602,682	120,000	-	7,722,682

	Waste Management and Recycling	Operations and Maintenance	Landfill - Gingin	Total operating segments
Half-Year ended 31 December 2020				
Revenue from external customers	1,865,580	190,858	-	2,056,438

Note 20 Share based payments and bonus incentives

Stephen Hyams entered in to a consultancy agreement with the Company upon his appointment as a director on 6 November 2020. The fees paid to Mr Hyams pursuant to the consultancy agreement amounted to $105,000 (2020: $30,000) during the period. Remuneration also included an issue of 750,000 shares in the Company, which was issued on 3 December 2021. Mr Hyams resigned as a director on 23 November 2021.

Issuance of shares to KMPs

On 3 December 2021, the Company issued 2,000,000 fully paid ordinary shares each to KMPs Tomasz Rudas, Vijaykumar Joshi and Damien Flugge or their nominees. The shares are not subject to any restrictions or escrow requirements. The shares were issued as part of remuneration for services rendered to the Company by the respective individuals. There is no cash consideration associated with the issue of the shares.

Note 21 Financial assets and liabilities

The fair value of the Group's financial assets and liabilities will be impacted by changes in interest rates. However, there were no material impacts during the period. The carrying amount of the financial assets and liabilities of the Group (which are carried at amortised cost) approximates their fair value.

Note 22 Events after the reporting period

There are no material transactions that have occurred since 31 December 2021 up until the date of this report, which the directors consider require disclosure.

\- End of the Report -