

ASX Announcement | 26 February 2021

FY21 HALF YEAR RESULTS

KEY NOTES

- Growth in waste streams and product sales processed at Maddington
- Maddington revenue \$1.9 million – 219% increase on prior corresponding period (pcp)
- Group loss after tax of \$9.3 million
- Maddington assets impaired by \$7 million)
- Gingin construction progressing – HDPE liner specifications approved
- \$11 million financing facility secured post half year

M8 Sustainable Limited (“**M8S**” or “the **Company**”), reports its financial results for the half year ended 31 December 2020.

Financial Results

For the half year ended 31 December 2020, the Company recorded revenue from contracts with customers of \$2,056,438, an increase of 136% on pcp

Total revenue was \$2,451,247 which included \$315,483 from a R&D claim and \$67,500 from Government stimulus package (pcp: \$872,226). A key factor that contributed to these results was a significant increase in monthly waste volumes processed at the Maddington waste facility during the first half of FY21.

The Group recorded a net loss after tax of \$9,264,771 (pcp: loss of \$8,378,100). The loss was mainly impacted by the recognition of impairment of the Maddington waste facility assets to the value of \$6,981,753. The prior period loss was attributable to the Group recognising IPO and finance related costs totalling \$6,648,005.

Maddington Waste Facility

Uncertainties due to COVID-19 during the last quarter of FY 20 continued to depress market conditions within the C&I and C&D sector. The Impact of federal and state government incentives announced in favour of the construction industry were witnessed only during the second quarter of FY21.

Towards the end of the second quarter, management made a conscious decision to gradually streamline the C&I sector due to high cost of recycling versus low gate fees currently being offered in the market by competitors.

Maddington achieved revenue from contracts with customers of \$1,865,580 for the half year (pcp; \$584,378) – a 219% increase.

Currently, some C&D waste sector regulations appear not to achieve the results that they were originally designed for; with a number of operators reducing gate fees charged for accepting C&D waste by stockpiling waste rather than incurring costs associated with processing for reuse.

Subsequently the Group undertook an impairment assessment as at 31 December 2020 and determined that the carrying value of the Maddington site exceeded its recoverable value. As a consequence, the Group has recorded an impairment loss.

Moving forward, the Company will both continue to lobby the relevant regulatory departments for appropriate change and advance strategies to improve the performance of Maddington, which include focusing on waste streams yielding higher margins, reducing operating costs, limiting the volumes of waste sent to landfill, seeking new waste streams and continued growth of the customer base.

Gingin Landfill

The Company continues to develop its other major asset, the Gingin Landfill project (Gingin), which is central to both the growth of the Company and its overarching strategy of becoming a tier-one, full-service, Western Australian waste management operation.

Over the past six months bulk earthworks have been completed and the substantial commencement certification was received from the Shire of Gingin. HDPE liners for Cell 1 were ordered and delivered to site and installation is anticipated to commence in March 2021.

Further activities were limited as the Company was required to undergo a 100-day testing period to determine whether the HDPE liners had satisfied required specifications. Following the end of the half year, the following events have occurred:

- Independent contractors confirmed that the HDPE liners have passed all tests and comply with the technical specification requirements.
- M8 Sustainable secured an \$11 million financing facility provided by Remagen Capital Management Pty Ltd. The facility will be primarily used for construction of Gingin.

Outlook

For the remainder of FY21 and throughout calendar year 2021, the Company's focus will be on completion of the Gingin landfill and implementing strategies that will grow the revenue streams and improve margins at Maddington.

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

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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