

Appendix 4D

ASX listing rule 4.2.A.3

Report for the half year ended 31 December 2022

Reporting Period: 6 months ended 31 December 2022

Previous Corresponding Period: 6 months ended 31 December 2021

The Half-Year Consolidated Financial Report should be read in conjunction with the financial statements for the year ended 30 June 2022.

Results for announcement to the market

	31 December 2022 \$'000	31 December 2021 \$'000	Change Up / Down \$'000	Change Movement %
Revenue from ordinary activities	984	7,723	- 6,739	- 87%
Profit/(Loss) from ordinary activities after tax attributable to members	(1,414)	(5,118)	3,704	72%
Profit/(Loss) for the period attributable to members	(1,414)	(5,118)	3,704	72%

Dividends

	Amount per Security (Cents)	Franked Amount Security at 30%
Final 2022 fully franked dividend	Nil	0%
Interim 2023 fully franked dividend	Nil	0%

Net Tangible Assets (NTA) per security

	31 December 2022 \$	31 December 2021 \$
NTA per security	0.006	0.02

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 2022

M8 SUSTAINABLE LIMITED

CORPORATE DIRECTORY

Directors

Mark Robert Puzey, Chairman (resigned 2 December 2022)
Tomasz Jacek Rudas, Managing Director and Chief Executive Officer
Saithsiri Saksitthisereekul (appointed Chairman 14 December 2022)
Rodney Grant Illingworth (appointed 19 October 2022) (Ceased from Board effective 06 June 2023)
Damien Craig Flugge (appointed 14 December 2022)

Chief Financial Officer

Vijay Joshi (resigned 16 August 2023)

Company Secretary

John Colli (resigned 18 February 2023)
Alessandra Gavin and Winton Willesee (appointed 23 February 2024)

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

RSM Australia Partners
Level 32, Exchange Tower 2
The Esplanade
Perth WA 6000

M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY
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**M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

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 2022.

DIRECTORS

The directors of the Company that held office during the half year ended 31 December 2022 and up to the date of this report, unless otherwise indicated, are:

Mark Robert Puzey, Chairman (resigned 2 December 2022)
Tomasz Jacek Rudas, Managing Director and Chief Executive Officer
Saithsiri Saksitthisereekul (appointed Chairman 14 December 2022)
Rodney Grant Illingworth (appointed 19 October 2022) (Ceased from Board effective 06 June 2023)
Damien Craig Flugge (appointed 14 December 2022)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Operations

For the half year ended 31 December 2022, the Group recorded revenue of \$983,992 compared to \$7,722,682 for the prior corresponding period ("pcp"), a decrease of 87%.

Total income was \$1,755,553 compared to \$7,745,463 for the pcp, a decrease of 77%.

Other income for the reporting period was \$771,561 compared to \$22,781 for the pcp. The current period included one-off reversal of lease liabilities.

The Group recorded a loss after tax of \$1,414,264 for the reporting period. This compares to a loss after tax of \$5,118,288 for the pcp which included an impairment of \$2,512,780.

Maddington Waste Facility ("Maddington")

For the reporting period, Construction & Demolition ('C&D') and Commercial & Industrial ('C&I') waste recycling activities at Maddington were at subdued levels as the primary focus at Maddington was the clearing and preparation of the site in anticipation of a substantial increase in the receipt of waste levels once commercial activities commence at Gingin. Revenue generated from C&D and C&I activities for the reporting period totaled \$353,164 (pcp \$501,278).

Access Waste, the Company's skip bin operations which provides services to both the private and commercial sectors, generated revenue of \$288,314 for the reporting period (pcp \$121,627 – activities commenced mid-September 2021).

In the light of the Company's focus during the period being the completion of Gingin Landfill Facility, metals recycling activities were kept on hold.

Gingin Landfill Facility ("Gingin")

Construction work at the Gingin Landfill Facility, which has an approved capacity of 150,000 tonnes per annum, was nearing completion as at 31 December 2022.

All major works associated with Cell 1, the leachate pond and recirculation system were completed with minor works in relation to fencing, weighbridge installation and logistics matters are in the final stages of completion as at 31 December 2022.

As set out in Events Arising Since the End of the Reporting Period, in connection with Company's Deed of Company Arrangement, Fernview Environment Pty Ltd, the wholly owned subsidiary of the Company and owner of the Gingin Landfill Facility, was disposed of subsequent to the half year end.

**M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

Brockwaste Recycling and Processing Facility ("Brockwaste")

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

Corporate

Board Changes

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

- Rodney Illingworth was appointed as a Non-Executive Director on 19 October 2022 (Ceased to be a director w.e.f. 06 June 2023)
- Mark Puzey resigned as a Non-Executive Director (and Chairman) on 2 December 2022
- Saithsiri Saksitthisereekul was appointed as Chairman of the board on 14 December 2022
- Damien Flugge was appointed as an Executive Director on 14 December 2022

Equity Raisings

- the renounceable rights issue to raise approximately \$10m which was announced in May 2022, closed in August 2022. The rights issue was unsuccessful as the minimum subscription of \$8m was not achieved.
- On 30 September 2022 the Company made a placement of 71,428,521 fully paid ordinary shares at an issue price of \$.007 each to Adroit Capital Group ESG Pty Ltd (Adroit) to raise \$500,000. The funds were used for working capital purposes.

Convertible Note Facilities

During the reporting period the Company entered into the following convertible note loan facilities:

- On 19 August 2022 the Company entered into a \$10m loan facility by way of Convertible Notes with its largest shareholder, M8 Holding (M8H). The facility was to enable the Company to complete construction and commence commercial operations at Gingin, provide additional working capital to ramp up recycling operations at Maddington and lastly, expand the Access Waste division.

Key terms of the convertible note loan facility are as follows:

- | | |
|------------------------|--|
| • facility amount | - up to \$10 million |
| • drawdown | - 1 convertible note in the Company with a face value of \$1.00 will be issued for every \$1.00 drawn down under the facility |
| • interest rate | - 10% per annum (capitalised) on the outstanding amount of the facility |
| • conversion price | - subject to the satisfaction of conditions precedent, the convertible notes will convert into fully paid ordinary shares in M8S at an issue price of 0.5 cent each at the election of M8H |
| • conditions precedent | - conversion of the convertible notes is conditional upon the satisfaction of conditions precedent including FIRB approval and shareholder approval for the issue of shares in M8S |
| • term | - unless converted into shares or repaid earlier, any moneys drawn down under the facility must be repaid by the Company 36 months after first drawdown. |
| • early redemption | - the Company can repay moneys drawn down under the Facility earlier than the end of the term with the consent of M8H |
| • security | - 2nd ranking security over all M8S assets, subject to shareholder approval and other necessary consents being obtained. |
| • arrangement fee | - 3% of the facility amount payable in cash upon first drawdown |

Following the execution of the \$10m convertible note facility, the \$4 million loan which was entered into with M8H on 3 September 2019 ceased and the amount drawn down under this loan was transferred to the \$10m convertible note facility.

- On 17 October 2022 the Company varied the \$10m Convertible Note facility with M8H by reducing the loan amount from \$10m to \$5.5m, to reflect the share placement made to Adroit which raised \$0.5m and the \$4m convertible note facility with Reforme Special Situation Pty Ltd (Reforme).
- As at 31 December 2022, \$5.5 million has been drawn down under this facility.

**M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

- On 6 October 2022 the Company entered into a \$4 million Convertible Note loan facility with Reforme to provide additional funds for working capital.
- As at 31 December 2022, \$2.4 million has been drawn down under this facility.

Key terms of the Convertible Note loan facility are as follows:

- facility amount - up to \$4million
- drawdown - 1 convertible note in the Company with a face value of \$1.00 will be issued for every \$1.00 drawn down under the facility.
- interest rate - 5% per annum (capitalised) on the outstanding amount of the facility
- conversion price - subject to the satisfaction of conditions precedent, the convertible notes will convert into fully paid ordinary shares in M8S at an issue price of 0.5 cent each at the election of RSS.
- conditions precedent - conversion of the convertible notes is conditional upon the satisfaction of conditions precedent which includes any required shareholder approval for the issue of shares in M8S.
- term - unless converted into shares or repaid earlier, any moneys drawn down under the facility must be repaid by the Company 36 months after first drawdown.
- early redemption - the Company can repay moneys drawn down under the facility earlier than the end of the term with the consent of RSS; further, if shareholder approval for the issue of shares in M8S upon the conversion of the convertible notes is not obtained when sought, RSS may require the Company to repay all sums outstanding under the loan facility within 30 days of notice from RSS
- voluntary escrow - to the extent shares in M8S are issued upon the conversion of the convertible notes prior to the first-year anniversary of the date of the loan facility agreement, such shares will be subject to voluntary escrow until such first year anniversary, subject to standard exceptions and compliance with the Corporations Act.

- On 21 December 2022 the Company entered into a further \$2.5 million Convertible Note loan facility with M8H. The funds raised by this facility will be utilised for working capital purposes.

Key terms of the Convertible Note loan facility are as follows:

- facility amount - up to \$2.5million
- drawdown - 1 convertible note in the Company with a face value of \$1.00 will be issued for every \$1.00 drawn down under the facility.
- interest rate - 4.5% per annum (capitalised) on the outstanding amount of the facility
- conversion price - subject to the satisfaction of conditions precedent, the convertible notes will convert into fully paid ordinary shares in M8S at an issue price of 0.5 cent each at the election of M8H.
- conditions precedent - conversion of the convertible notes is conditional upon the satisfaction of conditions precedent including FIRB approval and any required shareholder approval for the issue of shares in M8S.
- term - unless converted into shares or repaid earlier, any moneys drawn down under the facility must be repaid by the Company 12 months after the first drawdown.
- early redemption - the Company can repay moneys drawn down under the facility earlier than the end of the term with the consent of M8H. Further, if shareholder approval for the issue of shares in M8S upon the conversion of the convertible notes is not obtained when sought, M8H may require the Company to repay all sums outstanding under the loan facility within 30 days of notice from M8H.
- As at 31 December 2022, \$540,000 has been drawn down under this facility.

Constitution

At the Company's annual general meeting held on 30 November 2022, the Company's constitution was amended to allow for the use of technology at shareholder meetings (including allowing the Company to hold wholly virtual meetings) and for the distribution of meetings-related documents electronically (whether by a physical or electronic link or the entire document), to the extent permitted by the Corporations Act, Listing Rules and applicable law.

**M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

Notices - Section 249D of the Corporations Act

On 22 December 2022, the Company received notice from M8H under section 249D of Corporations Act 2001(Cth) (the Act), requesting the Company convene a general meeting of shareholders for the purpose of considering a resolution to remove Mr Rodney Illingworth as a director of the Company. On 23 December 2022, the Company received notice from Adroit Capital Group ESG Pty Ltd (Adroit), the Company's second largest shareholder, under section 249D of the Act requesting the Company to convene a general meeting of shareholders for the purpose of considering resolutions relating to:

- a) The appointment of Mr Malcolm Raymond Scott James and Mr Anthony Nelson Short as directors of the Company
- b) Conditional on the appointment of Messrs James and Short as directors, the removal of Mr Tomasz Jacek Rudas, Mr Saithsiri Saksithisereekul and Mr Damien Flugge as directors of the Company
- c) Conditional on the appointment of Messrs James and Short as directors, the removal of any directors appointed by the Company on or after 22 December 2022 except for Messrs James and Short.

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 and the Events Arising Since the End of the Reporting Period.

DIVIDENDS

The directors have determined that no interim dividend be declared (2021: Nil).

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

The following material transactions have occurred since 31 December 2022 up until the date of this report, which the directors consider require disclosure.

Change of Auditor

On 10 January 2023 the Company announced that, following the receipt of ASIC's consent to the resignation of Ernst & Young as the Company's auditors, RSM Australia Partners (RSM) had been appointed as its new auditor. In accordance with section 327C of the Corporations Act 2001, a resolution will be put before shareholders at the Company's 2023 Annual General Meeting to ratify the appointment of RSM as the Company's external auditor.

Notice of General Meeting

On 12 January 2023, the Company issued a notice convening a general meeting of shareholders for 16 February 2023 to consider the matters arising from the Section 249D notices issued by M8H and Adroit as outlined above in the Corporate section of this report.

Notification of Court Proceedings

On 23 January 2023, the Company received notification of court proceedings instigated by its director, Mr Rodney Illingworth, seeking an order to be made by the Supreme Court of Western Australia relating to Mr Illingworth having access to certain financial records and other books of the Company. The matter was considered at a court hearing following which orders were issued by the Court requiring the Company to provide all relevant information. The Company has since abided by the orders and provided the information listed in the orders.

Proportional Off-Market Takeover Bid

On 24 January 2023, the Company received a notice from Adroit Capital Group ESG Pty Ltd (Adroit) of its intention to make an unsolicited all cash proportional off market takeover bid to acquire 1 out of every 5 ordinary shares of the Company not currently owned by Adroit or its associates. The offer proposes \$0.014 per M8S share reduced by any dividends or distributions declared, determined or paid after 24 January 2023. The offer was subject to a number of conditions including Resolution 1 in the Company's notice of meeting dated 12 January 2023 (NOM) being defeated,

M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Resolutions 2-7 in the NOM being carried, M8S shareholder approval for the Offer (if required) being obtained and no prescribed occurrences.

Voluntary Administration and Deed of Company Arrangement

On 10 February 2023, the securities of the Company were suspended from quotation on the ASX, and on 13 February 2023, McGrathNicol Restructuring was appointed as Voluntary Administrators of the company. On the 14 February 2023, McGrathNicol Restructuring was also appointed as Voluntary Administrators of the Company's wholly owned subsidiary, Fernview Environment Pty Ltd. In connection with the appointment of Voluntary Administrators, McGrathNicol undertook an assessment of the Company and its business and assets and explored options for the sale and/or recapitalisation of the company.

The Voluntary Administrators advised on 1 June 2023 that the company had executed a pooled Deed of Company Arrangement (DOCA). The execution of the DOCA had the effect of appointing McGrathNicol as Deed Administrators responsible for the administration of the DOCA and the Voluntary Administration of the Company came to an end.

The Deed Administrators of the company advised that on 6 June 2023, pursuant to the DOCA, control and management of the Company and Fernview Environment Pty Ltd reverted to their respective directors and the Mr R Illingworth ceased as a director of the Company.

The financial effect of the appointment of Voluntary Administrators to the Company and execution of the DOCA includes:

- The loss of control of Fernview Environment Pty Ltd and resulting deconsolidation of that entity, which owned among other assets, the Gingin Landfill Facility (now wholly owned by M8 Holdings Limited); and
- The settlement of the creditors existing as at 13 February 2023 of the company, other than:
 - continuing employees in respect to their continuing employment as at that date
 - all claims of M8 Holdings Ltd as at that date; and
 - all claims of RPS Recycling, Sbang Australia, the Maddington property lessors, Iron Capital and any amounts with respect to a performance bond or bank guarantee as at that date.

Since 10 February 2023 the Company has had and continues to have its securities suspended from quotation on the ASX.

Since 6 June 2023, Directors of the Company have been in on-going discussions with its majority shareholder, M8 Holdings Limited with regard to funding alternatives and strategic partnering arrangements, including with respect to the near complete Gingin Landfill Facility now owned indirectly by M8 Holdings Limited through its now wholly owned subsidiary Fernview Environmental Pty Ltd.

M8 Holdings Limited paid to the Deed Administrators an amount totaling \$ 16,240,644 ,in connection with DOCA, for the receipt of 99,900 shares in Fernview Environment Pty Ltd.

Since 6 June 2023, the Company has:

- reduced its monthly salaries and wages cost with all continuing employees other than the managing director having been made redundant;
- revised its leasing arrangements with the Maddington property lessor so as to reduce the monthly lease cost;
- continued its green waste agreement with Community Green Waste and its weighbridge activities which is contributing cashflow and revenue for the Company, albeit at relatively low amounts at this time; and
- disposed of certain fixed assets (with a written down value of Nil) for proceeds of \$524,000.

Since 6 June 2023, M8 Holdings Limited has provided working capital funding, by way of loan, to the Company of \$427,000.

**M8 SUSTAINABLE LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

On 7 December 2023, the Company engaged S1Win Consultant Co., Ltd (WIN) of Bangkok to arrange a financial facility comprising a Convertible Debenture or Redeemable Convertible Note up to \$20 million. The arrangements include that S1Win Consultants will initially make available \$2 million to the Company to support its immediate working capital requirements. Directors anticipate receipt of the \$2 million (net of \$130,000 in fees) in March 2023. A further \$10 million is to be made available to the Company upon the lifting of the suspension of trading of the company's securities on the ASX.

As at 27 February 2024, the Company has cash and cash equivalents of \$8,271.

Pursuant to the DOCA, the following repayment arrangements exist with regard to creditors not settled through the DOCA:

- M8 Holdings Limited – the amount owing of \$6,430,657 to be repaid via conversion into shares.
- RPS Recycling – the amounts owing by Company have been set off against the amounts owing to the Company.
- Sbang Australia – the amount owing of \$942,551 to be repaid within 24 months of execution of the DOCA or commencement of operations at Gingin Landfill Facility.
- the Maddington property lessors – the amount owing of \$ NIL.
- Iron Capital – the amount owing of \$48,053.

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 14 of this financial report.

This report is made in accordance with a resolution of the directors, pursuant to Section 306(3)(a) of the Corporations Act 2001.



Tomasz Rudas
Director

Dated this 28th day of February 2024

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 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 2022 and performance of the Group for the half year ended 31 December 2022; 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 made pursuant to Section 303(5)(a) of the Corporations Act 2001.



Tomasz Rudas
Director

Dated this 28th day of February 2024

Perth
Western Australia



RSM Australia Partners

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of M8 Sustainable Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of M8 Sustainable Limited which comprises the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled (the group) at the half-year end or from time to time during the half-year.

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 M8 Sustainable Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the interim financial report, which indicates that the group incurred a net loss of \$1,414,264, had net cash outflows from operating activities of \$1,857,474 and net cash outflows from investing activities of \$2,056,706 during the half year ended 31 December 2022. As at that date, the group's current liabilities exceeded its current assets by \$18,471,072. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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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*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of M8 Sustainable Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the M8 Sustainable Limited 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2022 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.

A handwritten signature in blue ink, appearing to read "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read "Matthew Beevers".

Perth, WA
Dated: 28 February 2024

MATTHEW BEEVERS
Partner

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of M8 Sustainable Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'RSM'.**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink, appearing to read 'Matthew Beevers'.

Perth, WA
Dated: 28 February 2024

MATTHEW BEEVERS
Partner

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M8 SUSTAINABLE LIMITED AND ITS CONTROLLED ENTITY

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 31 December 2022

	Notes	31 December 2022 \$	31 December 2021 \$
Revenue	3	983,992	7,722,682
Other income	3	771,561	22,781
Total revenue and income		1,755,553	7,745,463
Employee related expenses	4	(1,191,448)	(1,508,630)
Recycling, waste disposal and other site costs	5	(554,390)	(7,100,995)
Rental outgoings and license fees		(200,889)	(194,329)
Insurance costs		(180,496)	(171,240)
Professional fees		(246,888)	(256,289)
Depreciation of property, plant and equipment	6	-	(792,722)
Finance costs		(423,854)	(106,918)
Share in loss of joint venture		(42,588)	(11,792)
Impairment of non-financial assets		-	(2,512,780)
Other expenses	7	(329,264)	(208,056)
Loss before tax from continuing operations		(1,414,264)	(5,118,288)
Income tax benefit		-	-
Loss for the period		(1,414,264)	(5,118,288)
Other comprehensive loss		-	-
Total comprehensive loss for the financial period attributable to the equity holders of the Company		(1,414,264)	(5,118,288)
Earnings per share:			
• Basic loss per share attributable to ordinary equity holders of the Parent Company (cents per share)	8	(0.3)	(1.1)
• Diluted loss per share attributable to ordinary equity holders of the Parent Company (cents per share)	8	(0.3)	(1.1)

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 2022

		31 December 2022	30 June 2022
	Notes	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	9	114,088	11,596
Trade and other receivables	10	530,208	487,008
Prepayments		438,553	269,897
Total Current Assets		1,082,849	768,501
NON-CURRENT ASSETS			
Property, plant and equipment		31,617,284	30,049,717
Investment in joint venture		233,740	276,328
Other non-current assets		3,906,500	3,906,500
Total Non-current Assets		35,757,524	34,232,545
TOTAL ASSETS		36,840,373	35,001,046
CURRENT LIABILITIES			
Trade and other payables	11	9,010,218	9,391,746
Borrowings	12	9,683,454	10,780,018
Lease liabilities	13	683,086	683,086
Provisions	14	177,163	173,713
Total Current Liabilities		19,553,921	21,028,563
NON-CURRENT LIABILITIES			
Borrowings	12	6,940,282	2,841,580
Lease liabilities	13	6,803,691	8,011,877
Other payables		-	-
Total Non-current Liabilities		13,743,973	10,853,457
TOTAL LIABILITIES		33,297,894	31,882,020
NET ASSETS		3,542,479	3,119,026
EQUITY			
Issued capital	15	47,013,006	46,513,006
Convertible notes reserve		1,296,208	
Share-based payment reserve		1,287,773	1,246,264
Accumulated losses		(46,054,508)	(44,640,244)
TOTAL EQUITY		3,542,479	3,119,026

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 2022

	Issued capital \$	Converti- ble note reserve	Share- based payment reserve \$	Accumu- lated losses \$	Total equity \$
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
Balance at 1 July 2022	46,513,006		1,246,264	(44,640,244)	3,119,026
Loss after tax	-	-	-	(1,414,264)	(1,414,264)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,414,264)	(1,414,264)
Shares issued – through placement	500,000	-	-	-	500,000
Convertible notes issued	-	1,296,208	-	-	1,296,208
Share options	-	-	41,509	-	41,509
Total transactions with owners recorded directly in equity	500,000	1,296,208	41,509	-	1,837,717
Balance as at 31 December 2022	47,013,006	1,296,208	1,287,773	(46,054,508)	3,542,479

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 2022

	31 December 2022 \$	31 December 2021 \$
Cash flows used in operating activities		
Loss after income tax	(1,414,264)	(5,118,288)
Adjustments for:		
<i>Non-cash items:</i>		
Depreciation	-	792,722
Impairment of assets	-	2,512,780
Gain on disposal of property, plant and equipment	-	(95,952)
Share-based payment expense	41,509	121,652
Share of loss in joint venture	42,588	11,792
Reversal of expired lease liabilities	(729,000)	-
Accrued interest and fees on convertible notes	393,093	-
Remagen interest adjustment	(87,192)	-
Accrued interest receivable from Star Shenton Energy	(35,562)	-
Accrued interest for deferred wages	12,280	-
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(7,638)	178,440
Decrease/(increase) in prepayments	94,956	(188,472)
Decrease in inventory	-	388,568
(Decrease)/increase in trade payables and other payables	(171,694)	354,738
Increase in provisions	3,450	37,155
Net cash flows used in operating activities	(1,857,474)	(1,004,865)
Cash flows used in investing activities		
Purchase of property, plant and equipment	(1,567,567)	(3,080,305)
Capitalised interest paid	-	(1,763,938)
Proceeds from sale of fixed assets	-	310,613
Payments for landfill contractor	(362,639)	-
Investment in joint venture	(126,500)	(78,000)
Net cash flows used in investing activities	(2,056,706)	(4,611,630)

M8 SUSTAINABLE LIMITED AND ITS CONTROLLED ENTITY

Consolidated Statement of Cash Flows For the Half-Year Ended 31 December 2022

	31 December 2022 \$	31 December 2021 \$
Cash flows from financing activities		
Proceeds from rights issue	-	4,664,596
Proceeds from share capital	500,000	-
Proceeds from M8 Holding Limited loan	-	450,597
Proceeds from M8 Holding Limited convertible note	3,525,433	-
Proceeds from Reforme Special Situation Pty Ltd convertible note	2,400,000	-
Proceeds from short-term loans	380,496	225,436
Repayment of short-term loans	(429,218)	(90,654)
Repayment of equipment finance loans	(109,829)	-
Repayment of Remagen loan	(1,771,024)	(133,991)
Repayment of principal portion of lease liabilities	(479,186)	(463,399)
Payment of capital raising costs	-	(364,704)
Net cash flows from financing activities	4,016,672	4,287,881
Net decrease in cash and cash equivalents	102,492	(1,328,614)
Cash and cash equivalents at the beginning of the financial period	11,596	1,815,095
Cash and cash equivalents at the end of the period	114,088	486,481

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**

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

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 2022, were authorised for issue in accordance with a resolution of the Directors on 28 February 2024

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 2022 Financial Statements for the year ended 30 June 2022 and any public announcements made by the Company during the period ended 31 December 2022 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.

The financial statements does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Company does not continue as a going concern.

(ii) Going concern

For the period ended 31 December 2022, the Group recorded a net loss before tax of \$1,414,264 (2021: \$5,118,288) and had operating and investing cash outflows of \$3,914,180 (2021: \$5,616,495). As at 31 December 2022, the Group's cash and cash equivalents amounted to \$114,088 (30 June 2022: \$11,596), it had net current liabilities of \$18,471,072 (30 June 2022: \$20,260,062).

On 10 February 2023, the securities of the Company were suspended from quotation on the ASX and on 13 February 2023, McGrathNicol Restructuring was appointed as Voluntary Administrators of the Company. On the 14 February 2023, McGrathNicol Restructuring was also appointed as Voluntary Administrators of the Company's wholly owned subsidiary, Fernview Environment Pty Ltd. In connection with the appointment of Voluntary Administrators, McGrathNicol undertook an assessment of the Company and its business and assets and explored options for the sale and/or recapitalisation of the Company.

The Voluntary Administrators advised on 1 June 2023 that the Company had executed a pooled Deed of Company Arrangement (DOCA). Execution of the DOCA had the effect of appointing McGrathNicol as Deed Administrators responsible for the administration of the DOCA and the Voluntary Administration of the Company came to an end.

The Deed Administrators of the Company advised that on 6 June 2023, pursuant to the DOCA, control and management of the Company and Fernview Environment Pty Ltd reverted to their respective directors and the Mr R Illingworth ceased as a director of the Company.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

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

a) Basis of preparation (continued)

(ii) Going concern (continued)

The financial effect of the appointment of Voluntary Administrators to the Company and execution of the DOCA includes:

- The loss of control of Fernview Environment Pty Ltd and resulting deconsolidation of that entity, which among other assets was the owner of the GIngin Landfill Facility (now wholly owned by M8 Holdings Limited); and
- The settlement of the creditors existing as at 13 February 2023 of the Company, other than:
 - continuing employees in respect to their continuing employment as at that date
 - all claims of M8 Holdings Ltd as at that date
 - all claims of RPS Recycling, Sbang Australia, the Maddington property lessors, Iron Capital and any amounts with respect to a performance bond or bank guarantee as at that date.

Since 10 February 2023 the Company has had and continues to have its securities suspended from quotation on the ASX.

Since 6 June 2023, Directors of the Company have been in on-going discussions with its majority shareholder, M8 Holdings Limited with regard to funding alternatives and strategic partnering arrangements, including with respect to the near complete GIngin Landfill Facility now owned indirectly by M8 Holdings Limited through its now wholly owned subsidiary Fernview Environmental Pty Ltd.

M8 Holdings Limited paid to the Deed Administrators an amount totaling \$ 16,240,644 ,in connection with DOCA, for the receipt of 99,900 shares in Fernview Environment Pty Ltd.

Since 6 June 2023, the Company has

- reduced its monthly salaries and wages cost with all continuing employees other than the managing director having been made redundant;
- revised its leasing arrangements with the Maddington property lessor so as to reduce the monthly lease cost;
- continued its green waste agreement with Community Green Waste and its weighbridge activities which is contributing cashflow and revenue for the Company, albeit at relatively low amounts at this time; and
- disposed of certain fixed assets (with a written down value of Nil) for proceeds of \$524,000.

Since 6 June 2023, M8 Holdings Limited has provided working capital funding, by way of loan, to the company of \$427,000.

On 7 December 2023, the Company engaged S1Win Consultant Co., Ltd (WIN) of Bangkok to arrange a financial facility comprising a Convertible Debenture or Redeemable Convertible Note up to \$20 million. The arrangements include that S1Win Consultants will initially make available \$2 million to the company to support its immediate working capital requirements. Directors anticipate receipt of the \$2 million (net of \$130,000 in fees) in March 2023. A further \$10 million is to be made available to the company upon the lifting of the suspension of trading of the company's securities on the ASX.

As at 27 February 2024, the company has cash and cash equivalents of \$8,271.

Pursuant to the DOCA, the following repayment arrangements exist with regard to creditors not settled through the DOCA:

- M8 Holdings Limited – the amount owing of \$6,430,657 to be repaid via conversion into shares.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

- RPS Recycling – the amounts owing by Company have been set off against the amounts owing to the Company.
- Sbang Australia – the amount owing of \$942,551 to be repaid to be repaid within 24 months of execution of the DOCA or commencement of operations at Gingin Landfill Facility.
- the Maddington property lessors – the amount owing of \$ NIL.
- Iron Capital – the amount owing of \$48,052.50.

Directors anticipate re-capitalising the Company through both debt and equity raisings and are endeavouring to have the securities of the Company back trading on the ASX by 30 June 2024. If successful, directors anticipate the ability for the Company, in the longer term, to be able to meet its debts as and when they fall due and payable.

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

b) Basis of preparation (continued)

(ii) Going concern (continued)

Whilst Directors anticipate having, in the immediate short term, sufficient funding available to enable the Company to settle creditors arising from its current day to day activities, the Company does not currently hold the funds necessary to settle the liabilities noted above.

Accordingly, the above matters give rise to a material uncertainty with respect to the Company's ability to continue as a going concern and therefore its ability to realise its assets and settle its liabilities in the ordinary course of business and at the amounts set out in the financial statements.

The financial statements do not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

(iii) Convertible notes

Convertible notes are initially recognised at fair value of the consideration received, net of transactions costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transactions costs.

On the issue of the convertible notes the fair value value of the liability component is determined using the a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised costs basis until extinguished on conversion or redemption.

The increase in the liability due to passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and in included shareholders' equity as a convertible note reserve, net of transactions costs. The carrying amount of the conversion option is not measured in the subsequent years. The corresponding interest on the convertible notes is expensed to profit or loss.

		31 December 2022 \$	31 December 2021 \$
Note 3	Revenue		
	Operations and maintenance ("O&M") service fee	150,000	120,000
	Construction and demolition ("C&D") waste revenue	138,167	408,795
	Commercial and industrial ("C&I") waste revenue	214,997	92,483
	Steel recycling revenue	10,696	6,979,777
	Skip bin revenue	288,314	121,627

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

Equipment hire income	181,818	-
Total revenue	983,992	7,722,682

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.

	31 December 2022	31 December 2021
	\$	\$
Note 3 Revenue (continued)		
Other income		
Interest received	42,561	22,781
Other revenue	729,000	-
	771,561	22,781

	31 December 2022	31 December 2021
	\$	\$
Note 4 Employee benefits, salaries and wages		
Wages and salaries expenses	(893,032)	(1,049,145)
Labour contracting	(256,907)	(232,835)
Consulting	-	(105,000)
Share-based payment expenses	(41,509)	(121,650)
	(1,191,448)	(1,508,630)

	31 December 2022	31 December 2021
	\$	\$
Note 5 Recycling, waste disposal and other site costs		
Waste disposal costs	(104,701)	(167,866)
Recycled steel purchases	(92,063)	(6,716,905)
Power, fuel and oil	(122,109)	(38,876)
Equipment hire	(102,302)	(1,224)
Repairs, maintenance and consumables	(116,090)	(165,398)
Other	(17,125)	(10,726)
	(554,390)	(7,100,995)

31 December 2022	31 December 2021
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**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

	\$	\$
Note 6	Depreciation of property, plant and equipment	
	Depreciation on property, plant and equipment	-
	Amortisation on right-of-use assets	(203,487)
		-
		(589,235)
		-
		(792,722)

	31 December 2022 \$	31 December 2021 \$
Note 7	Other expenses	
	Marketing related costs	(29,591)
	Office expenses	(25,353)
	IT costs	(38,957)
	Secretarial, legal and business expenses	(47,157)
	Motor vehicle related expenses	(78,512)
	Gain on disposal of property, plant and equipment	(51,803)
	Capital raising expenses	(147,193)
	Other expenses	(140,418)
		(25,638)
		-
		95,952
		(9,373)
		-
		(7,870)
		(329,264)
		(208,056)

Note 8 **Earnings per share**

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

	2022 Number	2021 Number
Weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share	511,759,335	477,209,670
Weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share	511,759,335	477,209,670
	\$	\$
Loss attributable to ordinary equity holders of the Company	(1,414,264)	(5,118,288)
Loss per share (cents)	(0.3)	(1.1)
	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	30,000,000	40,000,000

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

		31 December 2022	30 June 2022
		\$	\$
Note 9	Cash and cash equivalents		
	Cash on hand and at bank	114,088	11,596

		31 December 2022	30 June 2022
		\$	\$
Note 10	Trade and other receivables		
	Trade receivables (i)	579,810	742,682
	Amounts due from Star Shenton Energy Pty Ltd (ii)	561,000	396,000
	Loan receivables from Star Shenton Energy Pty Ltd (ii)	350,529	309,457
		1,491,339	1,448,139
	Allowance for expected credit losses	(961,131)	(961,131)
		530,208	487,008

(i) Trade receivables are non-interest bearing and generally on 30 to 90 day terms. As at the reporting date, \$961,131 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.

		31 December 2022	30 June 2022
		\$	\$
Note 11	Trade and other payables		
	Trade payables	898,357	1,146,014
	Trade payables to SBANG Australia Pty Ltd	6,659,853	6,993,082
	Accrued and other payables	1,155,483	1,096,650
	Payable to iHub Technologies Pty Ltd	29,500	156,000
	Accrued interest for M8H Convertible Note	250,573	-
	Accrued interest for Reforme Convertible Note	16,452	-
		9,010,218	9,391,746

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

	31 December 2022 \$	30 June 2022 \$
Note 12		
Borrowings		
Term borrowings – ScotPac Business Finance (i)	491,996	565,851
Term borrowings – Bigstone Finance (ii)	50,183	86,158
Premium funding of insurance (iii)	263,613	48,722
Remagen loan (iv)	8,673,719	10,531,935
M8 Holding Ltd (Thailand) (v)	-	2,388,932
Convertible Note 1 – M8 Holding Ltd (vi)	4,802,269	-
Convertible Note 2 – M8 Holding Ltd (vii)	534,396	-
Convertible Note 3 – Reforme Special Situation Pty Ltd (viii)	1,807,560	-
	<u>16,623,736</u>	<u>13,621,598</u>
Less: Non-current portion	(6,940,282)	(2,841,580)
Current portion	<u>9,683,454</u>	<u>10,780,018</u>

(i) 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 \$161,543.

(ii) 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 \$50,183.

(iii) Premium funding of insurance with iQumulate Premium Funding for \$263,613.

(iv) In January 2021, the Company entered into 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 12

Borrowings

(v) 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. 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

**M8 SUSTAINABLE LIMITED
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**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

Security: security interest over all of the present and future property and assets of the Company 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.

On 19 August 2022, the Company entered into a \$10 million convertible note facility with M8H. The facility has an interest rate of 10% per annum. This convertible note facility replaced the loan facility outlined above.

(vi) On 19 August 2022 the Company entered into a \$10 million convertible note facility with M8H. The facility has an interest rate of 10% per annum. This convertible note facility replaced the loan facility outlined above. This \$10 million convertible note facility was with M8H, was subsequently adjusted by reducing the loan facility to \$5.5 million. This facility was fully drawn down as at 31 December 2022

(vii) On 21 December 2022, the Company entered into an additional \$2.5 million convertible note facility with M8H. The facility has an interest rate of 4.5% per annum. This facility was drawn down by \$550,000 as at 31 December 2022.

(viii) On 6 October 2022 the Company entered into a \$4 million convertible note facility with Reforme. The facility has an interest rate of 5% per annum. This facility was drawn down by \$2.5million as at 31 December 2022.

	31 December 2022	30 June 2022
	\$	\$
Note 13		
Lease liabilities		
As at 1 July	8,694,963	9,067,925
Additions	-	661,976
Accretion of interest	431,532	1,008,249
Repayment of principal portion of lease liabilities	(479,186)	(1,034,938)
Repayment of interest portion of lease liabilities	(431,532)	(1,008,249)
Reversal of expired lease liabilities	(729,000)	-
Ending balance	7,486,777	8,694,963
Current	683,086	683,086
Non-current	6,803,691	8,011,877
Ending balance	7,486,777	8,694,963

	31 December 2022	30 June 2022
	\$	\$
Note 14		
Provisions		
Employee provisions	177,163	173,713

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2022**

Note 15 Issued capital

(a) Issued and paid-up capital	Number	Number
Issued and fully paid ordinary shares	548,638,191	477,209,670
	31 December 2022	30 June 2022
(b) Movement in ordinary shares	\$	\$
Balance at 1 July	46,513,006	41,991,364
Issuance – through placement	500,000	-
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	47,013,006	46,513,006
(b) Movement in ordinary shares	Number	Number
Balance at 1 July	477,209,670	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
Issued to Adroit Capital Group ESG Pty Ltd	71,428,521	-
Ending balance	548,638,191	477,209,670

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 16 Related party transactions

The following related party transactions occurred during the period:

i) Star Shenton Energy Pty Ltd (“SSE”) – an amount totaling \$165,000 was invoiced during the period for the provision of O&M services. Damien Flugge is a director of the Company (appointed 14 December 2022) and also a director of SSE. 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 \$911,529. This amount includes \$243,561 of advances given to SSE and interest of \$106,968. 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.

**M8 SUSTAINABLE LIMITED
AND ITS CONTROLLED ENTITY**

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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. The initial \$9.6 million fixed price contract for the construction of the Gingin landfill facility, has changed to \$10.8 million due to contract variations and time delays.

iv) The Company is a party to a loan agreement with M8H, the Company's largest shareholder, pursuant to which M8H has agreed to lend up to \$4,000,000 to the Company. Following the execution of the \$10 million convertible note facility, the \$4 million loan which was entered into with M8H on 3 September 2019 ceased and the amount drawn down under this loan was transferred to the \$10 million convertible note facility. On 17 October 2022, the Company varied the \$10 million Convertible Note facility with M8H by reducing the loan amount from \$10 million to \$5.5 million. On 21 December 2022, the Company entered into a further \$2.5 million Convertible Note loan facility with M8H. The funds raised by this facility will be utilised for working capital purposes.

Note 17 Commitments and Contingent liabilities

Commitments

As at 31 December 2022

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. This has changed to \$10.8 million due to contract variations and time delays.

Contingent liabilities

As at 31 December 2022

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 2022: Nil) and none have arisen since balance sheet date to the date of signing the Directors' report.

Note 18 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.

Note 18 Operating segments (continued)

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

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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 2022				
Revenue from external Customers	833,992	150,000	-	983,992
	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

Note 19 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.

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Note 20 Events after the reporting period

Except for the transactions noted below and the matters set out in note 2(ii) Going Concern, there are no material transactions that have occurred since 31 December 2022 up until the date of this report, which the directors consider require disclosure

Change of Auditor

On 10 January 2023 the Company announced that, following the receipt of ASIC's consent to the resignation of Ernst & Young as the Company's auditors, RSM Australia Partners (RSM) had been appointed as its new auditor. In accordance with section 327C of the Corporations Act 2001, a resolution will be put before shareholders at the Company's 2023 Annual General Meeting to ratify the appointment of RSM as the Company's external auditor.

Notification of Court Proceedings

On 23 January 2023, the Company received notification of court proceedings instigated by its director, Mr Rodney Illingworth, seeking an order to be made by the Supreme Court of Western Australia relating to Mr Illingworth having access to certain financial records and other books of the Company. The matter was considered at a court hearing following which orders were issued by the Court requiring the Company to provide all relevant information. The Company has since abided by the orders and provided the information listed in the orders.

Notice of General Meeting

On 12 January 2023, the Company issued a notice convening a general meeting of shareholders for 16 February 2023 to consider the matters arising from the Section 249D notices issued by M8H and Adroit as outlined above in the Corporate section of this report.

Proportional Off-Market Takeover Bid

On 24 January 2023, the Company received a notice from Adroit Capital Group ESG Pty Ltd (Adroit) of its intention to make an unsolicited all cash proportional off market takeover bid to acquire 1 out of every 5 ordinary shares of the Company not currently owned by Adroit or its associates. The offer proposes \$0.014 per M8S share reduced by any dividends or distributions declared, determined or paid after 24 January 2023. The offer is subject to a number of conditions including Resolution 1 in the Company's notice of meeting dated 12 January 2023 (NOM) being defeated, Resolutions 2-7 in the NOM being carried, M8S shareholder approval for the Offer (if required) being obtained and no prescribed occurrences.

- End of the Report -