



**East 33 Limited**

**ABN 70 636 173 281**

**Annual Financial Statements - 30 June 2021**

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## Corporate Directory

Directors	James Garton Guy Burnett Mark Nagy Kara Hurry Walker Georgina Williams Philip Corne Geoffrey Erby Xingqi Gao
Company secretary	Guy Burnett
Notice of annual general meeting	Level 30, Tower 2, 200 Barangaroo Avenue Sydney NSW 2000
Registered office	Level 30, Tower 2, 200 Barangaroo Avenue Sydney NSW 2000
Principal place of business	12 Point Road Tuncurry NSW 2428
Auditor	HLB Mann Judd (WA Partnership) Level 4 130 Stirling Street Perth, WA 6000
Solicitors	Thomson Geer Law Level 28 Waterfront Place 1 Eagle Street Brisbane, QLD 4000
Bankers	NAB Level 3, 2 Carrington Street, Sydney NSW 2000
Share Registry	Link Market Services Ltd QV1 Building, Level 12, 250 St George's Terrace Perth, WA 6000
Stock exchange listing	East 33 Limited shares are listed on the Australian Securities Exchange (ASX code: E33)
Website	<a href="https://east33.sydney">https://east33.sydney</a>
Corporate Governance Statement	<a href="https://east33.sydney/asx-info/">https://east33.sydney/asx-info/</a>

## Directors Report

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') consisting of East 33 Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

### Directors

The following persons were directors of East 33 Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Directors for the full financial year ended 30 June 2021

James Garton

Mark Nagy

Guy Burnett

Directors appointed subsequent to 30 June 2021

Kara Hurry Walker (appointed 26 July 2021)

Georgina Williams (appointed 26 July 2021)

Philip Corne (appointed 26 July 2021)

Geoffrey Erby (appointed 26 July 2021)

Xingqi Gao (appointed 26 July 2021)

### Principal activities

During the financial year the principal continuing activities of the Group consisted of oyster farming and sales.

### Dividends

No dividends were paid during the financial year.

### Review of operations

The results for the year ended 30 June 2021 reflect the staged acquisition process of the various components which were ultimately concluded in July 2021 via the successful listing of the East 33 Limited (E33) on the Australian Securities Exchange (see commentary below).

In the prior period the Group consisted of two small oyster farms and a Restaurant acquired in December 2019. During the current period, four oyster farms were acquired in late December 2020, and a further two oyster farms were acquired in May 2021. The Group's Corporate segment was focused on completing the remaining acquisitions, developing the East 33 brand and working towards an IPO of the Group.

Sales revenue amounted to \$8,395,000 (2020: \$2,030,000) and other income for the Group amounted to \$4,575,000 (2020: \$391,000). Net cash used in operating activities was (\$2,695,000) (2020: \$1,471,000 used). The net loss of the Group amounted to \$5,476,000 (2020: \$1,861,000 loss).

These results are materially in line with the statutory forecast included in the prospectus and replacement prospectuses published in June and July 2021.

### Significant changes in the state of affairs

#### Corporate Consolidation and Funding

During the financial year, the Group raised interim funding via convertible notes in December 2020 and a bridge loan facility in May 2021 which enabled the Group to successfully complete the acquisition of the target farming businesses and assets.

There were no other significant changes in the state of affairs of the Group during the financial year.

### **Matters subsequent to the end of the financial year**

Subsequent to balance date, the Group successfully completed an Initial Public Offering (IPO) on the Australian Securities Exchange and raised \$32 million in equity before costs. In addition, the Group secured a \$10 million facility from NAB. The funding was used to settle outstanding/new vendor commitments of \$19.8 million and the interim bridge loan facility of \$8.9 million with the balance used to fund working capital.

At completion of the IPO:

- pursuant to the various share purchase agreements entered into, existing vendor liabilities of \$4 million were extinguished via issuance of redeemable convertible preference shares,
- \$1.4 million of vendor liabilities were converted to equity and a total of \$9.7 million was paid in cash,
- convertible notes totaling \$5.2 million issued on 21<sup>st</sup> December 2020 were converted to equity,
- 81.9 million performance rights issued to Executive Directors (75 million), a Non-Executive Director (1.1 million) and members of the advisory committee (5.8 million), with the Performance Rights to be exercised in tranches over three years, with the key performance terms being:
  - cash generated from operations,
  - EBIT and
  - VWAP.
- 160 million ordinary shares issued to new investors, raising \$32 million.

On 21 July 2021, East 33 Limited completed the acquisition of CMB Pty Ltd (a large oyster processing and distribution facility based in Sydney) for \$17.9 million and the Troup business (an oyster hatchery) for \$3.3 million, further bolstering the Group's oyster supply chain. These final acquisitions bring the Group's total hectareage available for oyster farming to 204 hectares. The Group is in the process of determining the fair value of identifiable asset and liabilities acquired.

### **Likely developments and expected results of operations**

The company expects to further consolidate the operations of the acquired businesses, roll out planned capex to enhance oyster supply capability, invest in the brand and explore new market opportunities with the goal of meeting the forecast results from operations.

### **Environmental regulation**

NSW oyster farmers are required to adhere to the guidelines laid out in the NSW Oyster Industry Sustainable Aquaculture Strategy Fourth Edition (2021) which outlines the accepted standard practices in oyster farming and regulatory considerations.

MARPOL – The international Convention for the Prevention of Pollution from Ships requires that all waste products that we generate are returned to land for appropriate recycling or disposal.

Bio Security Risk Management Plan (incorporating Pest and Disease Control) and DPI Primefact No. 1290, (Biosecurity NSW, 2015) outline the restrictions and requirements for the transportation of oysters, vessels and equipment between estuaries. It also lists standard and emergency procedures, training syllabus and records.

The POEO Act and the Protection of the Environment Operations (Noise Control) Regulation 2017 ensure that we operate with consideration to our neighbors, community and the environment.

**East 33 Limited**  
**Directors' report**  
**30 June 2021**

**Information on directors**

Name:	James Garton
Title:	Executive Chairman
Qualifications:	Bachelor of Science in Economics, a Bachelor of Business Administration in Finance from Texas A&M University, and a Master's Degree in Applied Finance from Macquarie University
Experience and expertise:	Mr Garton is an experienced company director, with ASX and NASDAQ experience as a former director of previous ASX and Nasdaq listed Mission NewEnergy Ltd and private company experience across a range of sectors including agriculture, alternative energy, finance, financial technology and property. Prior to co-founding East 33, Mr Garton held senior roles encompassing corporate strategy, M&A and corporate finance. Mr Garton's expertise spans managing start-ups to direct responsibility for major billion-dollar cross-border commercial agreements in Australia, US, the China and South East Asia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Executive Chairman
Interests in shares:	5,710,067 ordinary shares
Interests in performance rights:	25,000,000
Contractual rights to shares:	None
Name:	Mark Nagy
Title:	Executive Director
Qualifications:	None
Experience and expertise:	Mr Nagy is a highly experienced company director, having held positions on ASX/NZX-listed company boards for more than 20 years, including RIS Group Limited (NZXRIS) and Keycorp Ltd (ASX:KYC). Mr Nagy has been involved in the Wallis Lake region for over 50 years. He co-founded East 33 after working closely with some of the region's oyster farmers to develop growth opportunities for the industry. Mr Nagy previously founded and led several privately held and listed companies across a range of industries and sectors including financial, digital identity, security, transport and health.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Executive Director
Interests in shares:	5,710,067 ordinary shares
Interests in performance rights:	25,000,000
Contractual rights to shares:	None

**East 33 Limited**  
**Directors' report**  
**30 June 2021**

Name:	Guy Burnett
Title:	Executive Director (Finance)
Qualifications:	Chartered Accountant (Australia)
Experience and expertise:	<p>Mr Burnett has over 25 years' experience in senior financial, CFO and company secretary roles.</p> <p>Prior to co-founding East 33, Mr Burnett managed the finance and company secretarial functions of a number of organisations and groups across Australia and various international jurisdictions including an ASX and NASDAQ listed group. He held roles in several large corporatised utilities, private companies, and was an audit manager at KPMG.</p> <p>Mr Burnett's experience covers a diverse range of sectors including professional audit and advisory, water, energy, renewable energy and technology.</p> <p>Mr Burnett is a member of Chartered Accountants Australia and New Zealand having obtained a South African Chartered Accountancy accreditation from the University of Natal and a conversion to be an Australian Chartered Accountant via Curtin University.</p>
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	5,710,066 ordinary shares
Interests in performance rights:	25,000,000
Contractual rights to shares:	None
Name:	Kara Hurry Walker
Title:	Non-Executive Director(independent)
Qualifications:	Graduate of the Australian Institute of Company Directors (GAICD).
Experience and expertise:	<p>Ms Kara Hurry Walker is the founder of Entente Marketing Agency, which focused on areas of luxury and premium fashion design and lifestyle. Kara is a former board member of Cure Cancer Australia and the Australian Fashion Council. Kara was the marketing director for R.M. Williams responsible for global marketing team and rebranding of the business and introduction of the brand to the USA and repositioning within the UK, Australia and New Zealand. Kara's other key roles have been communications manager for Louis Vuitton Australia, Regional Marketing manager for The Woolmark Company and Chief Marketing Officer for ASX listed Australian Agriculture Company.</p> <p>Ms Kara Hurry Walker is a Graduate of the Australian Institute of Company Directors (GAICD)</p>
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee and of the Audit and Risk Committee
Interests in shares:	275,000
Interests in performance rights:	None
Contractual rights to shares:	None

**East 33 Limited**  
**Directors' report**  
**30 June 2021**

Name:	Georgina Williams
Title:	Non-Executive Director(independent)
Qualifications:	BA and B Comm from the University of Melbourne and is a member of the graduate of the Australian Institute of Company Directors and a graduate of the Australian Institute of Company Directors course.
Experience and expertise:	A professional director and serves on a number of boards and has over 25 years' experience in Banking and Superannuation including roles as Chief Executive Officer, Food and Wine Victoria; Group Executive Engagement, Advocacy and Brand at Australian Super; and Head of Brand and Marketing at the Bank of Melbourne. She has also held a number of executive positions at NAB over many years in both Australia and the United Kingdom, which included roles in the commercial banking, wealth, strategy and marketing departments.
Other current directorships:	Non-executive director of each of People's Choice, Sunsuper and UN Women
Former directorships (last 3 years):	Lifestyle Communities Limited (ASX:LIC),Reece Limited(ASX: REH)
Special responsibilities:	Chair of the Audit and Risk Committee Member of member of the Nomination and Remuneration Committee and
Interests in shares:	500,000
Interests in performance rights:	None
Contractual rights to shares:	None
Name:	Philip Corne
Title:	Non-Executive Director(non-independent)
Qualifications:	Qualified Chartered Accountant and holds a Bachelor of Economics from the University of Sydney
Experience and expertise:	Worked at KPMG from 1978 to 1988.Philip joined Louis Vuitton Australia in 1988 as Head of Finance. From 1998 to 2002 he was Senior Vice President and CFO of Louis Vuitton and the LVMH Fashion Group Americas. From 2003 to 2016 Philip was CEO of Louis Vuitton Australia/New Zealand.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee and of the Audit and Risk Committee Chair of the Advisory Committee
Interests in shares:	250,000
Interests in performance rights:	1,132,010
Contractual rights to shares:	None
Name:	Geoffrey Erby
Title:	Non-Executive Director(independent)
Qualifications:	Graduate of the Australian Institute of Company Directors and hold a Bachelor of Economics degree from the University of Sydney and tertiary qualifications in Accounting and has a Certification of Management Excellence from Harvard Business School
Experience and expertise:	CEO of Bright Food Global, a leading brand marketing, sales and distribution business in the food and beverage industry and a foundation Board Member for Bright Food China's acquisition of Grupo Miquel Alimentació GM Food), a leading Spanish cash and carry operation.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Nomination and Remuneration Committee and member of the Audit and Risk Committee
Interests in shares:	250,000
Interests in performance rights:	None
Contractual rights to shares:	None



**East 33 Limited**  
**Directors' report**  
**30 June 2021**

Name: Xingqi Gao  
Title: Non-Executive Director(non-independent)  
Qualifications: Member of the Royal Institute of Surveyors and a Senior Member of the Chinese Institute of Certified Public Accountants  
Experience and expertise: Majority shareholder and Chairman of the Board of Shanghai Changxing Island Fishing Port Co., Ltd and is the owner of a major port in Shanghai, China, with the focus of importing seafood into China.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 6,593,232  
Interests in performance rights: None  
Contractual rights to shares: None

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**

Guy Burnett (CA) has held the role of Company Secretary since September 2019.

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
James Garton	6	6	N/A	N/A	N/A	N/A
Mark Nagy	6	6	N/A	N/A	N/A	N/A
Guy Burnett	6	6	N/A	N/A	N/A	N/A

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The Nomination and Remuneration Committee and the Audit and Risk Committee were formed post financial year end upon successful IPO.

**Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets, and
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

***Non-executive directors' remuneration***

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments will be reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. This aggregate value will be presented to the Shareholders for approval at the forthcoming Annual General Meeting.

***Executive remuneration***

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay, a car allowance and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, were approved by shareholders and will be reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market.

**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of East 33 Limited:

- James Garton - Executive Chairman
- Mark Nagy - Executive Director
- Guy Burnett - Executive Director (Finance)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>2021</b>								
<i>Executive Directors:</i>								
James Garton	280,000	-	18,462	22,800	-	-	-	321,262
Mark Nagy	280,000	-	18,462	22,800	-	-	-	321,262
Guy Burnett	280,000	-	18,462	22,800	-	-	-	321,262
	<u>840,000</u>	<u>-</u>	<u>55,386</u>	<u>68,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>963,786</u>

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>2020</b>								
<i>Executive Directors:</i>								
James Garton	200,000	-	13,846	16,651	-	-	-	230,497
Mark Nagy	200,000	-	13,846	16,651	-	-	-	230,497
Guy Burnett	200,000	-	13,846	16,650	-	-	-	230,497
	<u>600,000</u>	<u>-</u>	<u>41,538</u>	<u>49,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>691,491</u>

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Executive Directors:</i>						
James Garton	100%	100%	-	-	-	-
Mark Nagy	100%	100%	-	-	-	-
Guy Burnett	100%	100%	-	-	-	-

The Directors were not eligible for cash bonuses during the reporting periods and no cash bonuses were paid.

**East 33 Limited**  
**Directors' report**  
**30 June 2021**

***Service agreements***

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: James Garton  
Title: Executive Chairman  
Agreement commenced: 8 June 2021  
Term of agreement: Open  
Details: Base salary for the year ending 30 June 2022 of \$280,000 plus superannuation, and a car allowance of \$40,000 pa. The agreement is subject to a mutual 6-month notice period (which may be immediately terminated by East 33 in the event of serious misconduct). East 33 may elect to make a lump sum payment in lieu of notice.  
Mr Garton has 25,000,000 performance shares with various vesting criteria over three years that were issued in July 2021 on IPO.

Name: Guy Burnett  
Title: Executive Director Finance  
Agreement commenced: 8 June 2021  
Term of agreement: Open  
Details: Base salary for the year ending 30 June 2022 of \$280,000 plus superannuation, and a car allowance of \$40,000 pa. The agreement is subject to a mutual 6-month notice period (which may be immediately terminated by East 33 in the event of serious misconduct). East 33 may elect to make a lump sum payment in lieu of notice.  
Mr Burnett has 25,000,000 performance shares with various vesting criteria over three years that were issued in July 2021 on IPO.

Name: Mark Nagy  
Title: Executive Director  
Agreement commenced: 8 June 2021  
Term of agreement: Open  
Details: Base salary for the year ending 30 June 2022 of \$280,000 plus superannuation, and a car allowance of \$40,000 pa. The agreement is subject to a mutual 6-month notice period (which may be immediately terminated by East 33 in the event of serious misconduct). East 33 may elect to make a lump sum payment in lieu of notice.  
Mr Nagy has 25,000,000 performance shares with various vesting criteria over three years that were issued in July 2021 on IPO.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Share-based compensation***

***Issue of shares***

No shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

***Additional information***

The earnings of the Group for the two (East 33 was incorporated in September 2019) years to 30 June 2021 are summarised below:

	2021 \$'000	2020 \$'000
Sales revenue	8,395	2,030
EBITDA/(loss)	(2,781)	(1,326)
EBIT/(loss)	(3,483)	(1,598)
Loss after income tax	(5,476)	(1,861)

***Additional disclosures relating to key management personnel***

***Shareholding***

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Disposed	Received as part of remuneration	Acquired for cash	Balance at the end of the year
<i>Ordinary shares</i>					
James Garton	29,800	(29,800)	-	1,924,312	1,924,312
Mark Nagy	29,800	(29,800)	-	1,924,312	1,924,312
Guy Burnett	29,800	(29,800)	-	1,924,312	1,924,312
	<u>89,400</u>	<u>(89,400)</u>	<u>-</u>	<u>5,772,936</u>	<u>5,772,936</u>

***Convertible note (Founder note) holding***

The number of convertible notes over ordinary shares in the company held during the financial year by each director of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Purchased	Converted	Disposed	Balance at the end of the year
<i>Convertible notes (convertible into ordinary shares)</i>					
James Garton	-	300,000	-	-	300,000
Mark Nagy	-	300,000	-	-	300,000
Guy Burnett	-	300,000	-	-	300,000
	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>900,000</u>

Each note is convertible at \$0.08. The notes are also eligible to earn interest from 1 July 2021 at 12% per annum.

***Other transactions with key management personnel and their related parties***

There were no other transactions with key management personnel and their related parties.

***This concludes the remuneration report, which has been audited.***

***Indemnity and insurance of officers***

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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

***Indemnity and insurance of auditor***

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of HLB Mann Judd**

There are no officers of the company who are former partners of HLB Mann Judd.

**Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**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 immediately after this directors' report.

**Auditor**

HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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James Garton  
Executive Chairman

30 September 2021  
Sydney

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of East 33 Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



**Perth, Western Australia**  
**30 September 2021**

**B G McVeigh**  
**Partner**

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

## Consolidated statement of profit or loss and other comprehensive income

	Note	Consolidated 2021 \$'000	2020 \$'000
<b>Revenue</b>	4	8,395	2,030
Cost of Sales	6	(6,637)	(727)
Gross Profit		1,758	1,303
Biological Assets Change in Fair Value		158	72
Other income	5	4,575	391
<b>Expenses</b>			
Employee benefits expense		(4,866)	(1,706)
Marketing expenses		(920)	(424)
Occupancy expenses		(191)	(20)
Legal costs		(1,631)	-
Acquisition related costs		(601)	-
Administration Expenses	6	(1,063)	(942)
Total Operating Expenses		(9,272)	(3,092)
EBITDA		(2,781)	(1,326)
Depreciation and amortisation expense	6	(702)	(272)
Finance costs	6	(2,061)	(263)
<b>(Loss) before income tax expense</b>		(5,544)	(1,861)
Income tax expense	7	68	-
<b>(Loss) after income tax expense for the year</b>		(5,476)	(1,861)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on Common Control Combinations		-	(111)
<b>Total comprehensive (loss) for the year</b>		<u>(5,476)</u>	<u>(1,972)</u>
		<b>\$</b>	<b>\$</b>
Basic (loss) per share	33	(0.36)	(19.67)
Diluted (loss) per share	33	(0.36)	(19.67)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



## Consolidated statement of financial position

	Note	Consolidated 2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	849	2,959
Trade and other receivables	9	2,346	458
Biological assets	11	7,293	1,168
Inventories	10	209	67
Total current assets		10,697	4,652
<b>Non-current assets</b>			
Biological assets	11	5,399	519
Property, plant and equipment	12	9,337	2,654
Right-of-use assets	13	1,725	336
Intangibles	14	12,370	2,684
Deferred tax assets	7	622	-
Other		274	-
Total non-current assets		29,727	6,193
<b>Total assets</b>		<b>40,424</b>	<b>10,845</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	2,494	676
Deferred acquisition consideration	16	15,182	324
Borrowings	17	13,693	11,436
Lease liabilities	18	188	47
Total current liabilities		31,557	12,483
<b>Non-current liabilities</b>			
Lease liabilities	18	1,833	334
Deferred tax liability	7	554	-
Other liabilities	19	1,200	-
Total non-current liabilities		3,587	334
<b>Total liabilities</b>		<b>35,144</b>	<b>12,817</b>
<b>Net assets/(liabilities)</b>		<b>5,280</b>	<b>(1,972)</b>
<b>Equity</b>			
Issued capital	20	12,728	-
Accumulated losses		(7,448)	(1,972)
<b>Total equity/(deficiency)</b>		<b>5,280</b>	<b>(1,972)</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

## Consolidated statement of changes in equity

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2019	-	-	-
(Loss) after income tax expense for the year	-	(1,861)	(1,861)
Other comprehensive income for the year, net of tax	-	(111)	(111)
Total comprehensive loss for the year	-	(1,972)	(1,972)
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>(1,972)</b>	<b>(1,972)</b>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2020	-	(1,972)	(1,972)
(Loss) after income tax expense for the year	-	(5,476)	(5,476)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(5,476)	(5,476)
<i>Transactions with owners in their capacity as owners:</i>			
Equity issued during the year net of share issue costs	12,728	-	12,728
<b>Balance at 30 June 2021</b>	<b>12,728</b>	<b>(7,448)</b>	<b>5,280</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

## Consolidated statement of cash flows

		<b>Consolidated</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		8,736	2,414
Payments to suppliers and employees		(11,431)	(3,885)
Net cash used in operating activities	32	(2,695)	(1,471)
<b>Cash flows from investing activities</b>			
Payment for purchase of businesses, net of cash acquired	30	(9,867)	(6,261)
Payments for investments		(501)	-
Payments for property, plant and equipment		(288)	(316)
Payments for intangible assets		(6)	(180)
Net cash used in investing activities		(10,662)	(6,757)
<b>Cash flows from financing activities</b>			
Net proceeds from convertible notes raised		4,944	11,187
Proceeds from borrowings		8,100	-
Capital raising transaction costs		(1,693)	-
Repayment of lease liabilities		(104)	-
Net cash provided by financing activities		11,247	11,187
Net increase/(decrease) in cash and cash equivalents		(2,110)	2,959
Cash and cash equivalents at the beginning of the financial year		2,959	-
Cash and cash equivalents at the end of the financial year	8	849	2,959

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## Notes to the financial statements

### **Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

#### **Going Concern**

On 22<sup>nd</sup> December 2020, East33 Limited acquired the businesses/assets of Messrs Sciacca, Wren, Wilson and Browne, established oyster farming operations. At the same time, the original convertible note of \$12 million was converted into equity and new convertible notes raised amounting to \$5.2 million.

On 21<sup>st</sup> April 2021 East 33 Ltd acquired the Diemar business assets and the MS Verdich business, bringing the total costs of acquisitions for the year to \$24.7 million. The acquisitions were initially funded by the new convertible notes raised of \$5.2 million and short-term borrowings of \$8.1 million.

On 21<sup>st</sup> July 2021, East 33 Limited successfully listed on the Australian Securities Exchange and raised \$32 million of capital before costs. The new convertible notes raised in December 2020 converted to equity upon the Group's successful completion of the IPO.

Additional funding by way of a \$10 million NAB loan facility was secured in July 2021. The funds were used to settle short term borrowings of \$8.9 million and pay vendor liabilities.

The Directors are of the opinion that the Group is a going concern for the following reasons:

- The operations will continue to generate cash flow from operations, along with an ability to adjust operating expenses, and
- The Group is expected to be able to raise further capital from equity or debt sources as needed.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of East 33 Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. East 33 Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

#### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is East 33 Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue is recognised either when the performance obligation in the contract has been performed, so 'point in time' recognition or 'over time' as control of the performance obligation is transferred to the customer.

The nature of performance obligations categorised within this revenue type includes delivery of the order of oysters and seafood or alternatively collection by customer, being 'point in time' when performance obligation is performed, control is transferred to the customer and revenue is recognised at the transaction price.

#### **Revenue recognition**

The Group recognises revenue as follows:

##### Revenue from contracts with customers

Revenue arises mainly from the sale of oysters and seafood. The Company generates revenue largely in Australia.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

Revenue from restaurant sales is generated through dine-in or alternatively collection by customer, being 'point in time' when performance obligation is performed, control is transferred to the customer and revenue is recognised at the transaction price.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

### **Government grants**

Government grants relating to costs are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

East 33 Limited (the 'head entity') and its wholly-owned Australian subsidiaries will form an income tax consolidated Group under the tax consolidation regime. The head entity will account for the Group's current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the head entity will recognise in future the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated Group.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

#### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### **Biological Assets**

Biological assets consist of oysters. These assets have been measured at fair value less costs to sell in accordance with AASB141 Agriculture. The estimated fair values are based on a typical growth cycle of the oyster and takes into account catch method, location of oyster, mortality rates, infrastructure used, an estimate of the number of oysters at period end and oyster prices reflecting the age and condition of the oysters.

These assumptions are reviewed at each reporting date and amended if required. Changes in the fair value of the oysters are reflected in the statement of profit or loss and other comprehensive income.

#### **Inventories**

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value through profit and loss, amortised cost using the effective interest method, or fair value through other comprehensive income. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

#### *Impairment*

At the end of each reporting period, the Group assesses whether there are any expected credit losses in relation to its financial assets, and if so, allowance is made for these.

In the case of financial assets carried at amortised cost, loss events may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

#### *Derecognition*

Financial assets are derecognised when the contractual rights to receipt of cash flows expire, or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

### **Depreciation**

The depreciation rates and method used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>	<b>Depreciation Method</b>
Plant and equipment	10% - 40%	Straight Line
Computer equipment	20%	Straight Line
Buildings	5%	Diminishing value
Motor Vehicles	18.75% - 25%	Diminishing value



The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised.

#### **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### **Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### **Oyster Leases Acquisition Costs**

Oyster leases acquisition costs are measured on the cost basis and therefore carried at cost less any accumulated impairment except for leases acquired through business combinations which are recorded at fair value on acquisition in line with AASB3. In the event the carrying amount of an oyster lease is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss.

The Group's Government awarded oyster leases are classified as 'production leases' by the New South Wales Department of Primary Industries (NSW DPI) and are granted for a maximum term of 15 years on water leases and 25 years on crown leases with options to extend for a further 15 years (water leases). Upon the expiry of any given term, they are renewable for successive terms. As such, the useful life of the leases is based on maximum terms inclusive of extension options.

The carrying amount of oyster leases are reviewed by directors for any indicators of impairment to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### **Goodwill**

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

In accordance with AASB 136, goodwill associated with current year acquisitions in respect of which the fair value of all assets and liabilities is yet to be finalised, is not tested for impairment nor is it allocated to a CGU in the current year.

#### **Software**

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

#### **Impairment of non-financial assets**

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **Contract liabilities**

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

#### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

#### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

#### **Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## **Employee benefits**

### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are not currently provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

#### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

#### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

#### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### **Earnings per share**

#### *Basic earnings/loss per share*

Basic earnings/loss per share is calculated by dividing the profit/loss attributable to the owners of East 33 Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### **Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **Standards and interpretations applicable to 30 June 2021**

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

The Directors have also reviewed all Standards and Interpretations issued but not yet adopted for the year ended 30 June 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

### **General information**

The financial statements cover East 33 Limited as a Group consisting of East 33 Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is East 33 Limited's functional and presentation currency.

East 33 Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

#### **Registered office**

Level 30, Tower 2,  
200 Barangaroo Avenue  
Sydney NSW 2000

#### **Principal place of business**

12 Point Road  
Tuncurry  
NSW 2428

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2021. The directors have the power to amend and reissue the financial statements.

### **Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### ***Coronavirus (COVID-19) pandemic***

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

**East 33 Limited**  
**Notes to the financial statements**  
**30 June 2021**  
**Note 2. Critical accounting judgements, estimates and assumptions**

*Valuation of Biological Stock*

Management value oysters held for sale at their fair value less costs to sell in accordance with AASB141 Agriculture. Estimated fair values are based on estimated selling prices observed in the industry and other relevant factors that ultimately impact fair value. Where there are no observable prices, management may determine a fair price based on certain deductions made on the closest comparable prices. These estimates may vary from net proceeds ultimately achieved.

There is inherent uncertainty in the biomass estimate and resultant fair valuation of the Biological assets. This is common to all such valuations and best practice methodology is used to facilitate reliable estimates. The estimated fair value of oyster inventory is based on a stock lifecycle model developed internally by the Group which incorporates various key assumptions to simulate stock growth which are regularly reviewed and updated. These assumptions include anticipated:

- Oyster prices less cost to sell
- Mortality rates
- Spawning cycles
- Seasonal growth rates

Actual growth will invariably differ to some extent, which is monitored along with mortality rates during periodic physical grading and harvest counts. Perpetual stock records are then adjusted and reconciled following the completion of each periodic physical count.

*Fair value hierarchy*

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level than an input that is significant to the measurements can be categorised into as follows:

Level 1 Unadjusted quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included at level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

*Valuation techniques*

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- i. Market approach uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- ii. Income approach converts estimated future cash flows or income and expenses into a single discounted present value.
- iii. Cost approach reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risk. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The Group's valuation of Biological Assets is considered to be Level 2 in the fair value hierarchy. There were no transfers between levels of the fair value hierarchy during the period.

**East 33 Limited**  
**Notes to the financial statements**  
**30 June 2021**  
**Note 2. Critical accounting judgements, estimates and assumptions**

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Goodwill*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 14 for further information.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Business combinations*

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

*Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

**Note 3. Operating segments**

The consolidated entity is organised into two operating segments based on differences in products and services provided: oyster farming and corporate and sundry business units including online distribution, restaurant and bottle shop. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

*Types of products and services*

The principal products and services of each of these operating segments are as follows:

Oyster farming	Growing and wholesaling of live oysters in Australia
Sundry units	Selling liquor to retail customers, provision of restaurant services, online sales of oysters and complimentary products in Australia.



Segment Report – 2021	Farming	Corporate and sundry business units	Total
	2021 \$'000	2021 \$'000	2021 \$'000
<b>Revenue</b>			
Revenue from external customers	4,322	4,073	<b>8,395</b>
<b>Total segment revenue</b>	<b>4,322</b>	<b>4,073</b>	<b>8,395</b>
Other Income	771	3,804	<b>4,575</b>
Biological assets change in fair value	158	-	<b>158</b>
Cost of sales	(4,368)	(2,269)	<b>(6,637)</b>
Employee benefits expense	(1,543)	(3,323)	<b>(4,866)</b>
Depreciation and amortisation	(454)	(248)	<b>(702)</b>
Finance costs	(150)	(1,911)	<b>(2,061)</b>
Other expenses	(361)	(4,045)	<b>(4,406)</b>
Segment result before tax	(1,625)	(3,919)	<b>(5,544)</b>
Income tax expense	-	68	<b>68</b>
<b>Net (loss) for the year</b>			<b>(5,476)</b>
Non-current Segment assets	10,106	19,621	<b>29,727</b>
Total Segment assets	18,245	22,179	<b>40,424</b>
Segment liabilities	(1,144)	(34,000)	<b>(35,144)</b>

Segment Report – 2020	Farming	Corporate and sundry business units	Total
	2020 \$'000	2020 \$'000	2020 \$'000
<b>Revenue</b>			
Revenue from external customers	321	1,709	<b>2,030</b>
<b>Total segment revenue</b>	321	1,709	<b>2,030</b>
Other Income		391	<b>391</b>
Biological assets change in fair value	72	-	<b>72</b>
Cost of sales	(75)	(652)	<b>(727)</b>
Employee benefits expense	(364)	(1,342)	<b>(1,706)</b>
Depreciation and amortisation	-	(272)	<b>(272)</b>
Finance costs	-	(263)	<b>(263)</b>
Other expenses		(1,386)	<b>(1,386)</b>
Segment result before tax	(46)	(1,815)	<b>(1,861)</b>
Income tax expense			-
<b>Net (loss) for the year</b>			<b>(1,861)</b>
Non-current segment assets	519	5,674	<b>6,193</b>
Total segment assets	1,687	9,158	<b>10,845</b>
Segment liabilities	-	(12,817)	<b>(12,817)</b>

**Note 4. Revenue**

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	Oyster Farming \$'000	Sundry \$'000	Total \$'000
<b>Consolidated - 2021</b>			
Oyster sales	4,322	-	4,322
Restaurant sales	-	2,248	2,248
Bottle shop sales	-	1,246	1,246
Online sales	-	538	538
Sundry sales	-	41	41
	<u>4,322</u>	<u>4,073</u>	<u>8,395</u>
<i>Geographical regions</i>			
Australia	<u>4,322</u>	<u>4,073</u>	<u>8,395</u>
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	<u>4,322</u>	<u>4,073</u>	<u>8,395</u>
	Oyster Farming \$'000	Sundry \$'000	Total \$'000
<b>Consolidated - 2020</b>			
Oyster sales	321	-	321
Restaurant sales	-	1,468	1,468
Online sales	-	241	241
	<u>321</u>	<u>1,709</u>	<u>2,030</u>
<i>Geographical regions</i>			
Australia	<u>321</u>	<u>1,709</u>	<u>2,030</u>
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	<u>321</u>	<u>1,709</u>	<u>2,030</u>

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Gain from bargain purchases on current year acquisitions	3,551	-
Adjustments on prior year acquisitions	607	-
Government grants	349	179
Other sundry income	68	212
	<hr/>	<hr/>
Other income	4,575	391
	<hr/>	<hr/>

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Total cost of sales	<hr/> 6,637	<hr/> 727
<i>Depreciation</i>		
Leasehold improvements	60	75
Plant and equipment	329	61
Right-of-use assets	97	26
	<hr/>	<hr/>
Total depreciation	486	162
<i>Amortisation</i>		
Oyster/Crown Leases	209	110
Software	7	-
	<hr/>	<hr/>
Total amortisation	216	110
	<hr/>	<hr/>
Total depreciation and amortisation	<hr/> 702	<hr/> 272

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	2,046	263
Unwinding of the discount on provisions	15	-
	<hr/>	<hr/>
Finance costs expensed	2,061	263
	<hr/>	<hr/>

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Administration Expenses</i>		
Legal expenses	-	293
Insurance costs	204	55
Licences	22	15
Consultants	204	210
Bank fees	37	15
Other costs	596	354
	<hr/>	<hr/>
Administration Expenses	1,063	942

**Note 7. Income tax expense and Deferred Tax**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	(68)	-
Adjustment recognised for prior periods	-	-
	<hr/>	<hr/>
Aggregate income tax expense	(68)	-
	<hr/>	<hr/>
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(529)	(92)
Increase/(decrease) in deferred tax liabilities	461	92
	<hr/>	<hr/>
Deferred tax - origination and reversal of temporary differences	(68)	-
	<hr/>	<hr/>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(5,544)	(1,861)
	<hr/>	<hr/>
Tax at the base rate entity rate of 26% (27.5% FY20)	(1,441)	(512)
	<hr/>	<hr/>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible amounts	801	512
Other non-assessable amounts	(1,133)	-
Change in corporate tax rate	68	-
Current year deferred tax loss not recognised	1,590	-
Movements in other deferred tax assets and liabilities not recognised	47	-
	<hr/>	<hr/>
	(68)	-
	<hr/>	<hr/>
Adjustment recognised for prior periods	-	-
	<hr/>	<hr/>
Income tax expense	(68)	-

**Note 7. Income tax expense (continued)**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Employee benefits	97	-
Leases	525	92
	<hr/>	<hr/>
Deferred tax asset	622	92
	<hr/>	<hr/>
<i>Movements:</i>		
Opening balance	92	-
Credited to profit or loss	530	92
	<hr/>	<hr/>
Closing balance	622	92
	<hr/>	<hr/>

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Right of use assets	449	92
Fair value gain on biological assets	105	-
	<hr/>	<hr/>
Deferred tax liability	554	92
	<hr/>	<hr/>
<i>Movements:</i>		
Opening balance	92	-
Charged to profit or loss	462	92
	<hr/>	<hr/>
Closing balance	554	92
	<hr/>	<hr/>

**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	849	2,959
	<hr/>	<hr/>
	849	2,959
	<hr/>	<hr/>

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	184	7
Capital raising costs prepaid	1,892	191
Prepaid expenses and deposits	270	260
	<u>2,346</u>	<u>458</u>

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	<b>Expected credit loss rate</b>		<b>Carrying amount</b>		<b>Allowance for expected credit losses</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Consolidated</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not overdue	0%	0%	184	7	-	-
3 to 6 months overdue			-	-	-	-
Over 6 months overdue			-	-	-	-
			<u>184</u>	<u>7</u>	<u>-</u>	<u>-</u>

**Note 10. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Finished goods at cost	<u>209</u>	<u>67</u>

**Note 11. Biological Assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Fair Value of Oyster Stock	<u>12,692</u>	<u>1,687</u>
Current – at fair value	7,293	1168
Non-Current – at fair value	5,399	519
Total Biological Assets	<u>12,692</u>	<u>1,687</u>

<b>Reconciliation of Biological Assets</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Stock value at the beginning of the period	1,687	-
Biological assets acquired through business combinations	12,619	2,035
Biological assets acquired post business acquisitions	176	150
Fair value movement in Biological assets	158	72
Cost of sales and attrition	<u>(1,948)</u>	<u>(570)</u>
Biological stock at the end of the period	<u>12,692</u>	<u>1,687</u>

Refer to note 2 for valuation technique for biological assets and significant estimates and judgements applied.

**Note 12. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Plant and equipment - at cost	5,061	710
Less: Accumulated depreciation	(352)	(55)
	<u>4,709</u>	<u>655</u>
Buildings and improvements - at cost	4,519	1,961
Less: Accumulated depreciation	(135)	(75)
	<u>4,384</u>	<u>1,886</u>
Motor Vehicles - at cost	184	43
Less: Accumulated depreciation	(14)	(2)
	<u>170</u>	<u>41</u>
Office Equipment - at cost	56	73
Less: Accumulated depreciation	(13)	(4)
	<u>43</u>	<u>69</u>
Computer Equipment - at cost	42	3
Less: Accumulated depreciation	(11)	-
	<u>31</u>	<u>3</u>
<b>Total</b>	<u><b>9,337</b></u>	<u><b>2,654</b></u>

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Plant and equipment \$'000</b>	<b>Buildings and improvements \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Office equipment \$'000</b>	<b>Computer equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	-	-	-	-	-	-
Additions	306	-	-	8	2	316
Additions through business combinations (note 30)	404	1,961	43	65	1	2,474
Depreciation expense	(55)	(75)	(2)	(4)	-	(136)
Balance at 30 June 2020	655	1,886	41	69	3	2,654
Additions	337	43	-	8	35	423
Additions through business combinations (note 30)	4,103	2,515	141	-	4	6,763
Disposals	(89)	-	-	(25)	-	(114)
Depreciation expense	(297)	(60)	(12)	(9)	(11)	(389)
Balance at 30 June 2021	<u>4,709</u>	<u>4,384</u>	<u>170</u>	<u>43</u>	<u>31</u>	<u>9,337</u>

Refer to note 23 for further information on fair value measurement.



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**Note 13. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Oyster and Crown leases - right-of-use	1,608	362
Property Leases	240	-
Less: Accumulated depreciation	(123)	(26)
	<u>1,725</u>	<u>336</u>

The Group leases land and buildings on crown land and oyster leases from the NSW Department of Primary Industry. As per AASB116 the present value of oyster and crown leases acquired by the Group are discounted over the initial lease period as well as the renewal option period as set out in the lease agreements.

**Note 14. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill	358	308
Provisional accounting adjustments	-	-
Less: Impairment	-	-
	<u>358</u>	<u>308</u>
Oyster/Crown Leases	12,306	2,461
Less: Accumulated amortisation	(319)	(110)
	<u>11,987</u>	<u>2,351</u>
Software - at cost	32	25
Less: Accumulated amortisation	(7)	-
	<u>25</u>	<u>25</u>
	<u>12,370</u>	<u>2,684</u>

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Goodwill</b>	<b>Oyster and</b>	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>Crown Leases</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>\$'000</b>		
Balance at 1 July 2019	-	-	-	-
Additions post business acquisitions	-	180	-	180
Additions through business combinations	308	2,281	25	2,614
Amortisation expense	-	(110)	-	(110)
Balance at 30 June 2020	308	2,351	25	2,684
Additions	-	-	7	7
Additions through business combinations	358	8,542	-	8,900
Provisional accounting adjustments	(308)	1,303	-	995
Amortisation expense	-	(209)	(7)	(216)
Balance at 30 June 2021	<u>358</u>	<u>11,987</u>	<u>25</u>	<u>12,370</u>

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*Impairment testing*

Given the recent business acquisitions, the associated fair value of assets and liabilities have been provisionally accounted for at balance sheet date. Consequently, the goodwill acquired through business combinations during the year has not been allocated to any cash generating units and therefore not tested for impairment.

**Note 15. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	801	234
Employee Benefits	322	14
Accrued Expenses	625	155
Sales in advance	170	170
Other payables	576	103
	<u>2,494</u>	<u>676</u>

**Note 16. Deferred Acquisition Consideration**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash deferred consideration	9,782	324
Equity deferred consideration	5,400	-
Amounts payable for Business Acquisitions	<u>15,182</u>	<u>324</u>

Following successful completion of the IPO in July 2021, vendor balances totaling \$1 million and \$4 million were converted to ordinary shares and Redeemable Convertible Preference Shares (RCPS) respectively. The key terms of the RCPS are:

Whose option to convert	Amount of RCPS	Conversion terms	Premium on conversion	Maturity date
Vendor	\$2.5 million (Class A)	Higher of \$0.2/share or 25% discount to 30 days VWAP	25%	2.5 years after issue date
East 33	\$1.5 million (Class B)	Higher of \$0.2/share or 25% discount to 30 days VWAP	25%	2.5 years after issue date

**Note 17. Borrowings**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Convertible Notes	5,018	11,436
Short Term Loans	8,675	-
	<u>13,693</u>	<u>11,436</u>

The key terms to the Convertible notes are as follows:

- Original Convertible note 1 of \$12.04 million converted to equity on 22<sup>nd</sup> December 2020 – please see below convertible note reconciliation
- Convertible note 2 for a total of \$4.185 million was issued on 21<sup>st</sup> December 2020
- Founder convertible note for a total of \$1 million was issued on 21<sup>st</sup> December 2020
- Both convertible notes 2 and founder notes mature at the earlier of 30<sup>th</sup> June 2022 or a conversion event
- Conversion event can be triggered on either successful completion of IPO or substantial sale of all business assets or completion of 90% share acquisition by a third party
- Both notes convert to ordinary shares upon the earlier of an IPO or the maturity date at \$0.08 per note, and are eligible to earn interest from 1 July 2021 at 12% per annum until 31<sup>st</sup> December 2021 and 18% p.a. thereafter.
- The full amount of convertible notes are a financial liability and the conversion factor had a value of nil as 30<sup>th</sup> June 2021

**Convertible note convertible into ordinary shares at balance date**

Unissued ordinary shares of East 33 Limited eligible for conversion as a result of the Convertible notes at balance date are as follows:

Note	Grant date	Maturity date	Note price	Number of notes
Founders note	21 December 2020	30 June 2022	\$1	1,000,000
Convertible note 2	21 December 2020	30 June 2022	\$1	4,184,969

The key terms to the Short Term Loans are as follows:

- Amal loan of \$7.6 million was secured as a bridging facility to settle vendor liabilities during the financial year. The loan carries a monthly interest rate of 3% and is secured by all assets in the Group.
- Rupnik loan of \$0.5 million to pay vendor liabilities was also secured. The loan carried a usage fee of \$150,000.

Subsequent to balance date

Upon the successful completion of the IPO in July 2021, the entire short term loan balance including interest were settled and all convertible notes at 30 June 2021 were converted into ordinary shares. There are no other unissued ordinary shares of East 33 Limited as a result of convertible notes eligible for conversion at the date of this report.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of Convertible Note</b>		
Opening Balance	11,436	-
Convertible Notes issued	5,185	12,040
Convertible Note Costs Incurred	(100)	(853)
Amortisation of Convertible Note costs	537	249
Interest Accrued on Convertible Notes	688	-
Conversion to Equity	(12,728)	-
Closing Balance	<u>5,018</u>	<u>11,436</u>

**Note 18. Lease liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Short term lease liability associated with Right of Use Assets	188	47
Long term lease liability associated with Right of Use Assets	1,592	334
Finance lease liabilities	241	-
	<u>2,021</u>	<u>381</u>

**Note 19. Other liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Settlement of legal claim	<u>1,200</u>	<u>-</u>

East 33 received a threat of litigation immediately prior to the conclusion of the IPO process and the Board sought to resolve the matter commercially, resulting in a settlement agreement with the claimants, pursuant to which East 33 agreed to pay the claimants \$1.62 million in four tranches with the first payment of \$0.42 million (included in trade and other payables) to be fully settled by IPO Completion and the remaining amount payable by tranches of \$0.4 million on 1 July 2022, 2023 and 2024 respectively.

**Note 20. Equity - issued capital**

	<b>2021</b>	<b>Consolidated</b>	
	<b>Shares</b>	<b>2020</b>	<b>2021</b>
		<b>Shares</b>	<b>\$'000</b>
			<b>\$'000</b>
Ordinary shares - fully paid	<u>31,971,892</u>	<u>100,000</u>	<u>12,728</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Issue of shares	1 September 2019	<u>100,000</u>	0.00	-
Balance	30 June 2020	100,000		-
Issue of shares on the conversion of convertible notes	22 December 2020	<u>31,871,892</u>	0.00	<u>12,728</u>
Balance	30 June 2021	<u>31,971,892</u>		<u>12,728</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

**Note 21. Equity - dividends**

*Dividends*

No dividends were paid during the financial year.

**Note 22. Financial instruments**

***Financial risk management objectives***

The Group's activities expose it to a variety of financial risks: market risk (price risk and interest rate risk), credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks as well as ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units where appropriate. Finance reports to the Board on a monthly basis.

***Market risk***

*Price risk*

The Group is not exposed to any significant price risk.

*Interest rate risk*

All borrowings have been obtained at fixed rates which expose the Group to fair value risk. Given the short term nature of such borrowings, the fair value risk is considered minimal.

***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

**Liquidity risk**

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Financing arrangements**

There are no unused borrowing facilities at the reporting date.

**Remaining contractual maturities**

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2021</b>	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,494	-	-	-	2,494
Vendor Liabilities	-	15,182	-	-	-	15,182
Other payables	-	-	400	800	-	1,200
<i>Interest-bearing - fixed rate</i>						
Short-term loans	40%	8,675	-	-	-	8,675
Convertible Notes	0%	5,018	-	-	-	5,018
Lease liability	5.5%	188	256	517	1,060	2,021
<b>Total non-derivatives</b>		<b>31,557</b>	<b>656</b>	<b>1,137</b>	<b>1,060</b>	<b>34,590</b>

<b>Consolidated - 2020</b>	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	676	-	-	-	676
Vendor Liabilities	-	324	-	-	-	324
Other payables	-	-	-	-	-	-
<i>Interest-bearing - fixed rate</i>						
Short-term loans	-	-	-	-	-	-
Convertible Notes	12%	11,436	-	-	-	11,436
Lease liability	5.5%	46	335	-	-	381
<b>Total non-derivatives</b>		<b>12,482</b>	<b>335</b>			<b>12,817</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 23. Fair value measurement**

*Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated - 2021</b>				
<i>Assets</i>				
Land and buildings	-	4,384	-	4,384
Intangible leases	-	11,987	-	11,987
Biological assets	-	12,692	-	12,692
Total assets	-	29,063	-	29,063
<i>Liabilities</i>				
Total liabilities	-	-	-	-
<b>Consolidated - 2020</b>				
<i>Assets</i>				
Land and buildings	-	1,886	-	1,886
Intangible leases	-	2,351	-	2,351
Biological assets	-	1,687	-	1,687
Total assets	-	5,924	-	5,924
<i>Liabilities</i>				
Total liabilities	-	-	-	-

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

The basis of the valuation of land and buildings is cost less accumulated depreciation except for land and buildings acquired under business combinations which are valued at fair value on acquisition in line with AASB3. The land and buildings acquired during the year were valued in December 2020 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the valuation date. Valuations are based on current prices for similar properties in the same location and condition.

**Note 24. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	<b>Consolidated 2021 \$</b>	<b>2020 \$</b>
Short-term employee benefits	895,386	641,538
Post-employment benefits	68,400	49,952
Long-term benefits	-	-
Share-based payments	-	-
	<u>963,786</u>	<u>691,491</u>

**Note 25. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by HLB Mann Judd, the auditor of the company, its network firms and unrelated firms:

	<b>Consolidated 2021 \$</b>	<b>2020 \$</b>
<i>Audit services - HLB Mann Judd</i>		
Audit or review of the financial statements	<u>227,000</u>	<u>76,000</u>
<i>Other services - HLB Mann Judd</i>		
Taxation Services	61,000	-
Independent Accountant's Report services	<u>214,000</u>	<u>-</u>
	<u>275,000</u>	<u>-</u>
	<u>502,000</u>	<u>76,000</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	<u>-</u>	<u>-</u>

**Note 26. Contingent liabilities**

There are no contingent liabilities at year end.

**Note 27. Commitments**

The Group has no commitments (capital or otherwise) at year end.

**Note 28. Related party transactions**

*Parent entity*

East 33 Limited is the parent entity.



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*Subsidiaries*

Interests in subsidiaries are set out in note 31.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

*Transactions with related parties*

During the financial year convertible loan notes totalling \$900,000 were purchased by directors as follows:

- Guy Burnett - 300,000 notes with a par value of \$1
- James Garton - 300,000 notes with a par value of \$1
- Mark Nagy - 300,000 notes with a par value of \$1

This convertible note liability at 30 June 2021 convert to ordinary shares upon the earlier of an IPO or the maturity date at \$0.08 per note, and are eligible to earn interest from 1 July 2021 at 12% per annum until 31st December 2021 and 18% p.a. thereafter. Each note converts into 3.2 ordinary shares. In July 2021 the convertible note liability converted to equity.

**Note 29. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss) after income tax	(6,497)	(1,544)
Total comprehensive income	(6,497)	(1,544)

*Statement of financial position*

	<b>Parent</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	1,151	4,036
Total assets	34,336	10,366
Total current liabilities	(25,693)	(474)
Total liabilities	(29,649)	(11,910)
Net Assets/(Liabilities)	4,687	(1,544)
Equity		
Issued capital	12,728	-
Accumulated losses	(8,041)	(1,544)
Total equity	4,687	(1,544)

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 or 30 June 2020.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 or 30 June 2020.

*Significant accounting policies*

*The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:*

- *Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.*
- *Investments in associates are accounted for at cost, less any impairment, in the parent entity.*
- *Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.*

**Note 30. Business combinations and other acquisitions**

As part of East 33 strategy to become Australia's largest vertically integrated Sydney Rock Oyster producer and supplier, the Group acquired the following businesses during the financial year:

<b>Entity or previous business owner</b>	<b>Date Acquired</b>	<b>Percentage</b>
Sciacca (business acquisition)	22/12/2020	100%
C. Wren (business acquisition)	22/12/2020	100%
J Wilson (business acquisition)	22/12/2020	100%
HR Browne Pty Ltd	22/12/2020	100%
Ms Verdich Pty Ltd	21/05/2021	100%

In addition to the above business acquisitions, the Group acquired the assets of VC Diemar for total consideration of \$2.85 million plus GST which was determined to be an asset acquisition.

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Details of the business acquisitions under provisional accounting as well as the acquisition of the asset of VC Diemar are as follows:

	<b>Fair value 2021 \$'000</b>	<b>Fair value 2020 \$'000</b>
Cash and cash equivalents	49	-
Trade receivables	626	-
Land and Buildings	2,515	1,961
Plant and equipment	4,249	513
Software	-	25
Biological Assets	12,619	1,497
Oyster and Crown leases	8,542	2,281
Trade and other payables	(721)	-
	<hr/>	<hr/>
Net assets acquired at fair value	27,879	6,277
Gain from bargain purchases on current acquisitions	(3,551)	-
Goodwill	358	308
	<hr/>	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>24,686</u>	<u>6,585</u>
Representing:		
Cash paid to vendor	9,801	6,261
Vendor Balance (net of GST)	14,885	324
	<hr/>	<hr/>
	<u>24,686</u>	<u>6,585</u>
Cash used to acquire businesses:		
Acquisition-date fair value of the total consideration transferred	9,801	6,261
Add payments made in respect of prior acquisitions	115	-
Less: cash and cash equivalents	(49)	-
	<hr/>	<hr/>
Net cash used	<u>9,867</u>	<u>6,261</u>

**Note 31. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Hamilton Supervisory Pty Ltd	Australia	100%	100%
MS Verdich & Sons Pty Ltd	Australia	100%	-
HR Browne & Sons Pty Ltd	Australia	100%	-
East 33 Farming Pty Ltd(Incorporated Aug 20)	Australia	100%	-
East 33 Deliveries Pty Ltd(Incorporated Jul 20)	Australia	100%	-
Mid Coast Exco Pty Ltd	Australia	100%	100%

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*Commitments*

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Committed at the reporting date but not recognised as liabilities, payable:	-	-
Share of capital commitments		

**Note 32. Reconciliation of loss after income tax to net cash from operating activities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss) after income tax expense for the year	(5,476)	(1,861)
Adjustments for:		
Depreciation and amortisation	702	272
Finance costs previously capitalised	2,061	248
Acquisition related costs	604	-
Gain from bargain purchases	(4,158)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	104	(458)
Decrease/(increase) in biological assets	1,614	(157)
(Increase) in inventories	(143)	(66)
Increase in deferred tax assets	(529)	(92)
Increase in trade and other payables	276	551
Increase in other liabilities	1,788	-
Increase in deferred tax liabilities	462	92
Net cash used in operating activities	<u>(2,695)</u>	<u>(1,471)</u>

**Note 33. Earnings per share**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	<u>(5,476)</u>	<u>(1,967)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share		
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>15,214,662</u>	<u>100,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>15,214,662</u>	<u>100,000</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(36)	(1,967)
Diluted earnings per share	(36)	(1,967)

#### **Note 34. Subsequent events**

Subsequent to balance date, the Group successfully completed an Initial Public Offering (IPO) on the Australian Securities Exchange and raised \$32 million in equity before costs. In addition, the Group secured a \$10 million facility from NAB. The funding was used to settle outstanding/new vendor commitments of \$19.8 million and the interim bridge loan facility of \$8.9 million with the balance used to fund working capital.

At completion of the IPO:

- pursuant to the various share purchase agreements entered into, existing vendor liabilities of \$4 million were extinguished via issuance of redeemable convertible preference shares,
- \$1.4 million of vendor liabilities were converted to equity and a total of \$9.7 million was paid in cash,
- convertible notes totaling \$5.2 million issued on 21<sup>st</sup> December 2020 were converted to equity,
- 81.9 million performance rights issued to Executive Directors (75 million), a Non-Executive Director (1.1 million) and members of the advisory committee (5.8 million), with the Performance Rights to be exercised in tranches over three years, with the key performance terms being:
  - cash generated from operations,
  - EBIT and
  - VWAP.
- 160 million ordinary shares issued to new investors, raising \$32 million.

On 21 July 2021, East 33 Limited completed the acquisition of CMB Pty Ltd (a large oyster processing and distribution facility based in Sydney) for \$17.9 million and the Troup business (an oyster hatchery) for \$3.3 million, further bolstering the Group's oyster supply chain. These final acquisitions bring the Group's total hectareage available for oyster farming to 204 hectares. The Group is in the process of determining the fair value of identifiable asset and liabilities acquired.

## Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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James Garton  
Director

30 September 2021  
Sydney

## INDEPENDENT AUDITOR'S REPORT

To the members of East 33 Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of East 33 Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
<b>Business combinations and other acquisitions</b> Refer to Note 30	
During the year, the Group acquired oyster farming businesses and assets.  We focused on this area to ensure accounting for the acquisitions as asset acquisitions or business combinations was appropriate.	Our procedures included, but were not limited to the following: - We read the acquisition agreements to understand the key terms and conditions;

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Key Audit Matter	How our audit addressed the key audit matter
<p>The business combinations have been provisionally accounted for in accordance with AASB 3 <i>Business Combinations</i>.</p> <p>We focused on this area as a key audit matter as accounting for this transaction is a complex and judgemental exercise. Management is required to determine the fair value of the assets acquired and liabilities assumed, in particular in determining the allocation of purchase consideration and separately identifiable assets with the residual being goodwill and/or bargain purchase. As at balance date the accounting is provisional.</p>	<ul style="list-style-type: none"> <li>- We agreed the fair value of the consideration paid to supporting evidence;</li> <li>- We considered the accounting for the acquisitions as asset acquisitions or business combinations, having regard to the Group's accounting policies and relevant AASB's;</li> <li>- We obtained audit evidence that the acquisition-date assets and liabilities of the business were fairly stated based on the best available information at balance date;</li> <li>- We considered the accounting for the difference between consideration paid from the identifiable assets acquired, having regard to the Group's application of provisional accounting concepts in accordance with AASB 3; and</li> <li>- We assessed the adequacy of the Group's disclosures in the financial report.</li> </ul>
<b>Biological assets</b> Refer to Note 11	
<p>The Group's biological assets consist of oysters, which are measured at fair value less costs to sell.</p> <p>The process of estimating the fair value is complex involving a number of judgements and estimates regarding various inputs. Due to the nature of the asset, the valuation technique includes a model that used a number of inputs from internal and external sources.</p> <p>This is a key audit matter due to the complex nature of accounting for these assets which involved a number of judgements and estimates.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We reviewed the inputs used in the valuation model by comparing to external data where external data is available.</li> <li>- We attended a physical count of oysters; and</li> <li>- We assessed the adequacy of the Group's disclosures in the financial report.</li> </ul>
<b>AASB 16 Leases for oyster and crown leases</b> Refer to Note 13	
<p>The Group's right-of-use assets and leases liabilities consist of finite life oyster and crown leases.</p> <p>The process of estimating the lease period is complex involving a number of judgements and estimates, hence this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We reviewed the inputs used in the calculation model by comparing to external data where external data is available.</li> <li>- We reviewed Government publications available with reference to lease periods; and</li> <li>- We assessed the adequacy of the Group's disclosures in the financial report.</li> </ul>



*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial report*

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

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

In our opinion, the Remuneration Report of East 33 Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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



**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**30 September 2021**



**B G McVeigh**  
**Partner**