



East 33 Limited

ASX ANNOUNCEMENT

For immediate release

25 January 2023

Market Update and Appendix 4C – Quarterly Cash Flow Report

East 33 Limited (ASX:E33) ("**East 33**" or "**Company**") is pleased to provide the following market update and the Appendix 4C, Quarterly Cash flow report.

Corporate

The second quarter of FY23 saw the completion of the capital raise where East 33 successfully raised \$7.5m (net of expenses) following the issue of ordinary shares under an underwritten entitlement offer (**Entitlement Offer**), providing both balance sheet strength and a new significant strategic shareholder, Yumbah. The current cash balance of East 33 as at 31 December 2022 was \$6.8m.

During the quarter East 33 also transitioned from a three-member board of executive directors to an independently chaired and majority non-executive board. This included the appointment of Hon Sarah Courtney (Chairman), Mike Ryan (Chair, Audit and Risk Committee), Gary Higgins and Ben Cameron.

NAB Loan covenant

The Company's debt facility from NAB, which is secured over the assets of the East 33 Group, has a requirement to maintain a ratio of EBIT to Interest Expense for the preceding 6 months of at least 3:1. The Board is of the view that the East 33 Group will not meet this covenant as at 31st December 2022 and is working with NAB to seek a waiver of this covenant. The East 33 Group has a positive working capital position (unaudited) of \$8.1 million, with \$6.8 million in cash.

Quarterly Appendix 4C Cash flow analysis

Quarter two cash flows reflect the working capital requirements to increase oyster inventory for the peak December period along with the cash inflow from the successfully completed Entitlement Offer.

Cashflow Area	Q2 FY 2023 Expectation	Q2 FY2023 Result	Appendix 4C: Quarterly Cashflow \$m
Operations	Q2 of each FY is traditionally a strong quarter from a sales perspective driven by peak oyster demand during the Christmas holiday period.	<p>Cash flows from operating activities</p> <ul style="list-style-type: none">As stock levels continue to recover, volumes continue to slowly rebuild. Pricing increases have supported the revenue while recovery continues.Consistent with previous years, cash proceeds from sales from distribution unit from Christmas sales are realised in the next quarter.	(\$1.8m)
Investing	Continuous investment to build water infrastructure and extend carrying capacity within the farming business unit. Sale of non-core assets program to conclude with the sale of bottle shop.	<p>Investing activities</p> <ul style="list-style-type: none">Investment in oyster land based and water infrastructure tends to be counter-cyclical through the year to harvesting cycles.	(\$0.2m)

		<ul style="list-style-type: none"> o Sale of bottle shop was completed in December 22, with proceeds expected in January 23. 	
Financing	Inflows from the Entitlement Offer to sustain working capital requirements and expand production capacity.	Financing activities <ul style="list-style-type: none"> o Successful Entitlement Offer raising \$7.5m net of fees 	\$7.5m
Opening			\$1.3m
Closing			\$6.8m

Use of funds statement

This quarterly cash flow is not included in the period covered by the use of funds statement included in the Prospectus dated 16 June 2021 and therefore no comparison is provided.

Sale of Bottle Shop

On 19 December 2022, East 33 Deliveries Pty Ltd, a subsidiary of East 33 sold its bottle shop business located at Oatley New South Wales to AASC Holdings Pty Ltd. Assets included the lease located at Oatley New South Wales, the liquor licence, plant, equipment and inventory located at the premises. The sale price was \$75,000 plus the value of the inventory.

This Announcement is authorised for release by the Board

Announcement Ends

About East 33 Limited

East 33 is dedicated to pioneering the world's best oyster culture, by empowering the people behind it, caring for the places that support it, and delivering moments to be savoured. East 33 represents quality, a dedication to the authentic and an inspired future, focused on delivering a moment of joy.

East 33 is the largest vertically integrated Sydney Rock Oyster producer, processor, and supplier. Operations span all elements of the Sydney Rock Oyster industry from hatchery, nursery, and production farmers to processing facilities and ShellarDoor™ restaurant program.

East 33's current operations are based in the Wallis Lake, Port Stephens, Camden Haven and Manning River regions of NSW. Learnings are being harnessed to deliver the next stage of improved breeding, technology, and sustainable farming techniques to propel the industry for generations to come.

Sydney Rock Oysters are extremely rare natively thriving in just 41 locations on the east coast of Australia centred on latitude 33 degrees – providing the namesake for East 33 Limited.

For further information, please contact:

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Appendix 4C

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

Name of entity

East 33 Limited

ABN

70 636 173 281

Quarter ended ("current quarter")

December 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	6,850	11,489
1.2	Payments for		
	(a) research and development	Nil	Nil
	(b) product manufacturing and operating costs	(4,510)	(8,177)
	(c) advertising and marketing	(88)	(120)
	(d) leased assets	Nil	Nil
	(e) staff costs	(3,433)	(5,887)
	(f) administration and corporate costs	(441)	(676)
1.3	Dividends received (see note 3)	Nil	Nil
1.4	Interest received	Nil	Nil
1.5	Interest and other costs of finance paid	(167)	(296)
1.6	Income taxes paid	Nil	Nil
1.7	Government grants and tax incentives	Nil	Nil
1.8	Other (dispute settlement)	Nil	(401)
1.9	Net cash from / (used in) operating activities	(1,789)	(4,068)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(g) entities	Nil	(30)
	(h) businesses	(75)	(150)
	(i) property, plant and equipment	(121)	(204)
	(j) investments	Nil	Nil
	(k) intellectual property	Nil	Nil
	(l) other non-current assets	Nil	Nil

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	Nil	Nil
	(b) businesses	Nil	Nil
	(c) property, plant and equipment	Nil	774
	(d) investments	Nil	Nil
	(e) intellectual property	Nil	Nil
	(f) other non-current assets	Nil	Nil
2.3	Cash flows from loans to other entities	Nil	Nil
2.4	Dividends received (see note 3)	Nil	Nil
2.5	Other (provide details if material)	Nil	Nil
2.6	Net cash from / (used in) investing activities	(196)	390

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7,967	7,967
3.2	Proceeds from issue of convertible debt securities	Nil	Nil
3.3	Proceeds from exercise of options	Nil	Nil
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(512)	(589)
3.5	Proceeds from borrowings	Nil	Nil
3.6	Repayment of borrowings	(20)	(341)
3.7	Transaction costs related to loans and borrowings	Nil	Nil
3.8	Dividends paid	Nil	Nil
3.9	Other (provide details if material)	Nil	Nil
3.10	Net cash from / (used in) financing activities	7,435	7,037

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,317	3,408
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,789)	(4,068)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(196)	390

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,435	7,037
4.5	Effect of movement in exchange rates on cash held	Nil	Nil
4.6	Cash and cash equivalents at end of period	6,767	6,767

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
		6,767	1,317
5.1	Bank balances	6,561	1,160
5.2	Call deposits	Nil	Nil
5.3	Bank overdrafts	Nil	Nil
5.4	Other (cash on hand)	206	157
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,767	1,317

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	Nil
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	9,000	9,000
7.2	Credit standby arrangements (letter of credit)	1,500	Nil
7.3	Other (equipment financing)	1,200	290
	Other (RCPS)	9,600	9,600
7.4	Total financing facilities	21,300	18,890
7.5	Unused financing facilities available at quarter end		2,410
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>\$10 million NAB loan facility expiring July 2024, annual interest 5.5%+ BBSY (bid) payable quarterly in arrears, an equipment financing facility from NAB and letters of credit to a value of \$1.5m relating to vendor finance on business acquisitions, fully secured against all assets in the Group.</p> <p>The Redeemable Convertible Preference Shares (RCPS) stem from vendor finance during the acquisition of businesses in July 2021 with a maturity date of January 2024. The RCPS are redeemable/convertible with \$6 million at the election of the vendor and \$3.6 million at the election of East 33.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,789)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,767
8.3	Unused finance facilities available at quarter end (item 7.5)	2,410
8.4	Total available funding (item 8.2 + item 8.3)	9,177
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.13
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	

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

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

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

Date: ...23 January 2023.....

Authorised by: Guy Burnett.....
(Name of body or officer authorising release – see note 4)

Notes

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