



East 33 Limited

ASX ANNOUNCEMENT

For immediate release

27 April 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

East 33 is tracking largely in-line with expectations as the company continues its recovery from floods and QX disease. Pleasingly we had positive cashflow this quarter and at 31st March 2023 we had a cash balance of \$7.2m.

As the planned leadership transition continues, the existing management team have stepped-up and are demonstrating increased accountability for business performance. Cashflow management remains a priority for the team, especially as the business heads into the more challenging trading quarters.

Recruitment is continuing for a new CEO on the previously announced expected timeframes.

Operational

The third quarter tracked largely in-line with expectations, with strong receipts being realised in January from the busy Christmas period. Management continues to focus on cost reductions across the business, with a key component being management of staff costs.

Distribution (CMB)

Despite volume being down on same period last year, revenue has held steady, with the increased sale price per oyster holding for the last 2 quarters. This represents a circa 20% uplift on oyster pricing on the same period in the prior year. This price premium has been supported by supply constraint, a targeted focus on higher margin customers, and a continued emphasis on high quality and consistent product.

Working Capital Management within Distribution has also been an emphasis, which is starting to generate benefits.

Farming

Legacy wild-caught oysters have formed the majority of our sales profile this quarter, and as we see future increases of hatchery oysters it is expected that consistency of profile will help improve price and margin.

The Hatchery and Nursery performance continues to be a key focus of management. This is helping increase quality of oysters being farmed, streamlining efficiency in animal husbandry practices and de-risking future biological asset growth.

Capex expenditure has remained modest due to both excess farming infrastructure (as biological stock levels continue to recover) and prudent management. As biological assets continue to grow, and the division further focuses on efficiency improvements, hatchery de-risking and additional safety initiatives, we expect that capex will modestly increase.

Quarterly Appendix 4C Cash flow analysis

Cashflow Area	Q3 FY 2023 Expectation	Q3 FY2023 Result	Appendix 4C: Quarterly Cashflow \$m
Operations	Q3 of each FY is traditionally an average quarter from a sales perspective with demand tapering off following the Christmas period.	Cash flows from operating activities <ul style="list-style-type: none"> ○ Consistent with previous years, cash proceeds from the distribution unit Christmas sales were realised in this quarter. 	\$0.8m
Investing	Continuous investment to build water infrastructure and extend carrying capacity within the farming business unit. Payment of deferred vendor consideration.	Investing activities <ul style="list-style-type: none"> ○ Payment of deferred vendor consideration (\$0.35M) ○ Sale of bottle shop was completed in December 22, with proceeds received in January 23. 	(\$0.3m)
Financing	Continuing to service existing loan facilities.	Financing activities <ul style="list-style-type: none"> ○ Short term Insurance financing ○ Equipment finance loans repayments 	(\$0.1m)
Opening			\$6.8m
Closing			\$7.2m

Use of funds statement

Pursuant to ASX Listing Rule 4.7C.2, the Company notes that a use of funds table was provided in the prospectus dated 16 June 2021 and announced to the ASX on 26 July 2021 (**Prospectus**).

All funds raised under the Prospectus have now been applied. East 33 provides the below table detailing how funds raised under the Prospectus were applied and notes that this information will not be included in future Quarterly Cashflow Reports:

Use of funds under Prospectus	Budgeted expenditure amount	Actual expenditure amount
Payment of deferred consideration	\$(9.8)m	\$(9.7)m
Cash consideration for stage 2 acquisitions	\$(11.3)m	\$(11.9)m
Loan repayments	\$(8.4)m	\$(10.0)m
Capital expenditure	\$(4.4)m	\$(2.8)m
Marketing and branding	\$(1.8)m	\$(0.7)m
Payment for costs of the offer	\$(3.7)m	\$(2.6)m
Administrative costs and working capital	\$(3.1)m	\$(5.4)m
TOTAL	\$(43.1)m	\$(43.1)m

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 with the proceeds of sale being received in January 2023.

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 restaurant.

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")

March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,928	19,417
1.2 Payments for		
(a) research and development	Nil	Nil
(b) product manufacturing and operating costs	(3,571)	(11,748)
(c) advertising and marketing	(35)	(155)
(d) leased assets	Nil	Nil
(e) staff costs	(2,933)	(8,820)
(f) administration and corporate costs	(316)	(992)
1.3 Dividends received (see note 3)	Nil	Nil
1.4 Interest received	Nil	Nil
1.5 Interest and other costs of finance paid	(177)	(473)
1.6 Income taxes paid	(33)	(33)
1.7 Government grants and tax incentives	Nil	Nil
1.8 Other (provide details if material)	2	(399)
1.9 Net cash from / (used in) operating activities	865	(3,203)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	Nil	(30)
(b) businesses	(351)	(501)
(c) property, plant and equipment	(59)	(263)
(d) investments	Nil	Nil
(e) intellectual property	Nil	Nil
(f) other non-current assets	Nil	Nil

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	Nil	Nil
	(b) businesses	75	75
	(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	(335)	55

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	Nil	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	(18)	(607)
3.5	Proceeds from borrowings	224	224
3.6	Repayment of borrowings	(138)	(479)
3.7	Transaction costs related to loans and borrowings	Nil	Nil
3.8	Dividends paid	Nil	Nil
3.9	Other (provide details if material)	(148)	(148)
3.10	Net cash from / (used in) financing activities	(80)	6,957

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,767	3,408
4.2	Net cash from / (used in) operating activities (item 1.9 above)	865	(3,203)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(335)	55

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(80)	6,957
4.5	Effect of movement in exchange rates on cash held	Nil	Nil
4.6	Cash and cash equivalents at end of period	7,217	7,217

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
		7,217	6,767
5.1	Bank balances	7,140	6,561
5.2	Call deposits	Nil	Nil
5.3	Bank overdrafts	Nil	Nil
5.4	Cash on hand	77	206
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,217	6,767

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

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.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	10,096	9,186
7.2 Credit standby arrangements	1,000	Nil
7.3 Other (RCPS)	9,600	9,600
7.4 Total financing facilities	20,696	18,786
7.5 Unused financing facilities available at quarter end		1,910
7.6 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.		
<ul style="list-style-type: none"> • \$9 million NAB loan facility expiring July 2024, annual interest 5.5%+ BBSY (bid) payable quarterly in arrears, fully secured against all assets in the Group. • \$1.2 million master asset finance facility of which \$0.3M is drawn, annual interest 3.5% + BBSY (bid) payable monthly in arrears • \$1 million letter of credit expiring January 2024, annual service fee 2.5% • 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 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	865
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,217
8.3 Unused finance facilities available at quarter end (item 7.5)	1,910
8.4 Total available funding (item 8.2 + item 8.3)	9,127
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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: N/A	
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: N/A	

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: N/A

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:27 April 2023.....

Authorised by: By the board.....
(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.