



East 33 Limited

ASX ANNOUNCEMENT

For immediate release

22 January 2024

Appendix 4C – Quarterly Cash Flow and Activities Report

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

Class A RCPS buyback and short-term loan

As per the ASX announcement issued today, 22 January 2024, the buyback of Class A Redeemable Convertible Preference Shares (**RCPS**) as previously approved at the Company's Annual General Meeting held on 24 November 2023 completed today.

As also announced, the Company has today entered in a short-term debt facility with each of the former Class A RCPS holders, being Anthony Rupnik, Tom Rupnik and Stephen Verdich (and a controlled entity), for a total of \$5.5 million (**Debt Facilities**). The Debt Facilities will be unsecured and carry an interest rate of BBSY plus 5.0% per annum payable up front in the aggregate amount of \$140,227.

Further information in relation to the Debt Facilities is contained in the ASX announcement released to the market on 22 January 2024.

The purpose of the Debt Facilities is to provide additional cashflow to East 33 while a strategic review of operations is conducted by the CEO, as detailed below (**Strategic Review**). East 33 confirms that the remaining \$5m of the Yumbah Finance Facility Agreement remains undrawn and currently has a drawn balance of \$10.0 million. The drawdown of the remaining \$5m is subject to discussion and agreement with Yumbah Finance. East 33 will keep the market updated in this respect.

Strategic Review

The CEO has commenced a review of the business' strategy and go-forward position. This work will underpin a Strategic Review of East 33 that will be conducted over the coming three months, with a focus on optimising the business' internal supply chain, activating margin improvement opportunities and identifying new initiatives to improve business profitability and growth.

Further information will be announced to the to the market following the completion of the Strategic Review.

Corporate

During the quarter, the business focused on execution through the busy season and refining its forward-looking financial projects. The review of the forward cash position identified a risk of a cash shortfall linked to the delayed harvest season this year. To mitigate this, the business re-negotiated the draw down schedule of the Yumbah Finance debt facility (as previously announced to the ASX on 30 October 2023) and maintained a strong trading position through the period.

Operational - Distribution (CMB)

Industry wide, there was a notable shortage in the Sydney rock oyster supply through the peak quarter for oyster sales, creating heightened pressure on CMB's procurement efforts. This resulted in lower-than-anticipated supply volumes throughout the quarter. Despite these challenges, the distribution business delivered an impressive performance marked by outstanding customer satisfaction and maintained oyster quality.

To counterbalance the constrained supply, our trading business strategically focused on higher-margin activities, successfully achieving a net position that aligns with our internal forecasts. This adaptive approach allowed us to navigate the market dynamics and optimise results during this critical period.

Through the quarter, we implemented a targeted process aimed at collaborating with our customers to reduce outstanding trade debtors. This initiative proved to be successful, leading to an improvement in the overall working capital of the business.

Farming

This quarter saw farming focused on the execution of our seasonal sales ramp up as well as the continued development of our oyster stock. The anticipated sales were delayed through the quarter as a result of the slower conditioning observed across northern estuaries, discussed in the quarter, but also the closure of Wallis Lake. Wallis Lake was closed for harvest for an extended period, leading to an inability for the business to harvest stock from its primary production region. The supply chain of East 33 was able to mitigate the closure through a stock relay program to East 33's Port Stephens farming sites, allowing for harvests to recommence well ahead of the Wallis Lake reopening.

The relay program led to a full assessment of East 33's stock on hand, and the findings are being considered in the Strategic Review. Pleasingly, the detailed stock assessment identified that the oysters-on-hand within the farming business remains in-line with reported volumes and grade. However, the projected harvest profile from the current stock is being reviewed for the remainder of FY24 and into the future. This review is being undertaken with a view to maximising the growth window of East 33's stock and driving future profitability. While the re-profiling of the harvest forecast will result in delayed sales in FY24 that will negatively impact our previously stated harvest volumes, the re-profiled harvest forecast will result in better future margins and increased integration between Farming and Distribution.

Forward Looking

Management remains confident that the Strategic Review will identify a number of opportunities to help unlock short-term improvements and long-term profitability, as well as increase operational efficiency across all business units.

As outlined earlier, the slower-than-expected oyster growth experienced over the past six months is anticipated to put pressure on margins for the Farming division for the remainder of year, which is likely to impact cash flow for the full year, resulting in negative operational cashflow for FY24. This, however is against a backdrop of better working capital management and continuous improvements to the synergistic operations of our farming network.

In the longer-term, East 33 is confident that the integrated supply-chain model of the Company will help capture increases in market share, as well as opportunities in new markets. The overall outlook for the Sydney rock oyster industry remains buoyant with regards to demand and pricing.

Major cashflow movements

East 33's major cashflow movements for the quarter included:

- Receipt from customers - \$6.6m;
- Product manufacturing and operating costs - \$5.0m;
- Staff costs - \$1.9m; and
- Proceeds from borrowings - \$2.25m.

Payments to related parties

As detailed in item 6.1 of the Appendix 4C, payments to related parties of East 33 and their associates during the quarter were \$90,188 comprising Director fees.

This Announcement is authorised for release by the Board

Announcement Ends

For further information, please contact:

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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.

East 33's current operations are based in the Wallis Lake, Port Stephens and the Camden Haven River regions of NSW, and over 130 years of collective of farming knowledge. 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.

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 2023

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	6,590	11,071
1.2 Payments for		
(a) research and development	Nil	Nil
(b) product manufacturing and operating costs	(5,013)	(8,384)
(c) advertising and marketing	(11)	(35)
(d) leased assets	Nil	Nil
(e) staff costs	(1,896)	(4,297)
(f) administration and corporate costs	(333)	(632)
1.3 Dividends received (see note 3)	Nil	Nil
1.4 Interest received	Nil	Nil
1.5 Interest and other costs of finance paid	(1)	(168)
1.6 Income taxes paid	Nil	Nil
1.7 Government grants and tax incentives	Nil	Nil
1.8 Other (dispute instalment) ¹	99	(299)
1.9 Net cash from / (used in) operating activities	(565)	(2,744)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	Nil	(30)
(b) businesses	Nil	(1,000)
(c) property, plant and equipment	(42)	(102)
(d) investments	Nil	Nil

¹ This relates to the settlement of a legal claim which has been previously disclosed. Refer to Note 21 in the 2023 Annual Report for further information.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	Nil	Nil
	(f) other non-current assets	Nil	Nil
2.2	Proceeds from disposal of:		
	(a) entities	Nil	Nil
	(b) businesses	Nil	Nil
	(c) property, plant and equipment	Nil	20
	(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	(42)	(1,112)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	Nil	Nil
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	Nil	Nil
3.5	Proceeds from borrowings	2,250	10,250
3.6	Repayment of borrowings	(10)	(4,562)
3.7	Transaction costs related to loans and borrowings	Nil	(202)
3.8	Dividends paid	Nil	Nil
3.9	Other (provide details if material)	(26)	(50)
3.10	Net cash from / (used in) financing activities	2,214	5,436

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	866	893
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(565)	(2,744)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(42)	(1,112)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,214	5,436
4.5	Effect of movement in exchange rates on cash held	Nil	Nil
4.6	Cash and cash equivalents at end of period	2,473	2,473

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
		2,473	866
5.1	Bank balances	2,432	862
5.2	Call deposits	Nil	Nil
5.3	Bank overdrafts	Nil	Nil
5.4	Other (cash on hand)	41	4
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,473	866

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*	90
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> <i>* Payment of director fees</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	10,000	10,000
7.2	Credit standby arrangements	Nil	Nil
7.3	Other (RCPS)	6,000	6,000
7.4	Total financing facilities	16,000	16,000
7.5	Unused financing facilities available at quarter end		Nil
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>7.1 The Yumbah Finance Pty Ltd (Yumbah) loan facility totalling \$15 million includes \$5 million which is yet to be drawn down (Yumbah Loan Facility). The drawdown of the remaining \$5 million under the Yumbah Loan Facility is subject to discussion and agreement with Yumbah. East 33 will keep the market updated in this respect.</p> <p>The Yumbah Loan Facility expiring September 2028 is fully secured against all assets in the East 33 Group. The annual interest of 5% + BBSY (bid) is capitalised for the first year, thereafter becoming payable quarterly in arrears.</p> <p>7.3 The Redeemable Convertible Preference Shares (RCPS) were issued under the following terms:</p> <ul style="list-style-type: none"> 6,000 Class A RCPS with a nominal value of \$1,000 each, convertible into ordinary shares at the option of the holders on or before 22 January 24 or redeemable (including under a buy-back) for cash.² 3,600 Class B RCPS with a nominal value of \$1,000 each, convertible into ordinary shares at the option of the issuer on or before January 24. The entire class B shares were converted to equity on 27 November 23. 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(565)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,473
8.3	Unused finance facilities available at quarter end (item 7.5)	Nil
8.4	Total available funding (item 8.2 + item 8.3)	1,908
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.38
	<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>	

² The Class A RCPS are being bought back by way of selective share buy-back on 22 January 2024. Refer to the Quarterly Activities Report for further information.

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: ..22 January 2024.....

Authorised by: On behalf of 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.