



East 33 Limited

# ASX ANNOUNCEMENT

For immediate release

29 February 2024

## East 33 enters into documentation with Yumbah Finance to re-draw \$5.0 million under its Loan Facility and convert \$5.0 million under its Convertible Note into Shares

East 33 Limited (ASX: **E33**) ("**East 33**" or "**Company**") wishes to announce that as foreshadowed in the Quarterly Activities Report lodged with the ASX on 22 January 2024, East 33 has now completed its strategic review of its operations (**Strategic Review**) which has identified opportunities for business improvement and quantified the requirement for additional funding.

### The Strategic Review

The results of this Strategic Review are as follows:

- **Harvest Re-profiling:** The stock on-hand aligns to the business' view prior to the commencement of the review, however, as previously foreshadowed (on 14 February 2024), the Company has made a strategic decision to delay the harvest of oysters that had previously been ear-marked for sale in FY24. It was determined that a revised forecast harvest schedule is needed to deliver consistent market grade oysters which will translate to the best possible commercial outcomes for the business. The Strategic Review has identified mechanisms to underpin the revised harvest profile, with a strong recovery expected in FY25 and beyond.
- **Supply Chain Improvement Plan:** The production pipeline within East 33 is subject to greater fluctuations than previously forecast within the farming business. There is a material strategic opportunity within the business however to stabilise production and bring the business to the current steady-state production volumes sooner than would otherwise be possible relying on internal hatchery and grow-out operations.
- **Investment in Farm Infrastructure:** East 33's farming assets have production synergies that have not yet been realised and, with a modest capital investment in infrastructure, can be leveraged to improve the business' position in the market. This investment will allow the business to increase oyster supply at strategic periods throughout the year and in doing so, take advantage of market opportunities not previously available to East 33.
- **Organisational Re-alignment:** A review of the management structures within East 33 has identified opportunities within the vertically integrated business to leverage internal functions and deliver commercial upside for the business. Further, the systems and processes across the business will continue to harmonize, increasing efficiencies across key functions.

The Strategic Review has identified that East 33 will likely require a waiver from Yumbah Finance Pty Ltd (**Yumbah Finance**) of the interest cover covenant and the impairment charges financial covenants for the 12 month period ended 30 June 2024 (**Financial Covenants**) along with additional capital in the amount of \$5.0 million in order to repay the short-term debt, of \$5.5 million, repayable on 30 April 2024 to Anthony Rupnik, Tom Rupnik, Stephen Verdich and a controlled entity (**Short-term Debt**), maintain its overall debt position, continue its business operations, deliver the outcomes of the Strategic Review and improve East 33's position in the market.

Without a waiver from Yumbah Finance, East 33 will not satisfy the Financial Covenants as required under the facility agreement entered into on 15 August 2023 between Yumbah Finance and the Company (**Facility Agreement**), at that point, that would trigger a review event under the Facility Agreement.

### Recapitalisation strategy

Yumbah Finance has granted East 33 a waiver of the Financial Covenants at 30 June 2024 and East 33 has entered into the following documents with Yumbah Finance whereby East 33 will have access to additional debt funding in the amount of \$5.0 million:

- An amendment to the Convertible Note Subscription Agreement entered into between East 33 and Yumbah Finance on 16 August 2023 (**Amended Convertible Note Agreement**); and
  - Amendment to the Facility Agreement entered into on 15 August 2023 between Yumbah Finance and the Company, amongst others (**Amended Facility Agreement**),
- (collectively, the **Recapitalisation Documents**).

The additional debt funding in the amount of \$5.0 million will be facilitated by way of the following:

- the conversion of \$5.0 million of the Face Value of the convertible note currently held by Yumbah Finance (**Convertible Note Conversion**) into ordinary shares in East 33 (**Conversion Shares**), with such number of Conversion Shares being determined by dividing the \$5.0 million of the Face Value (**Conversion Amount**) by the Conversion Price.

The \$5.0 million will be paid by Yumbah Finance in reduction of the amount owing by East 33 under the Facility Agreement (**Loan Facility**), which has a Facility Limit of \$15.0 million plus capitalised interest and has \$10.0 million drawn down, so bringing the amount owing under the Facility Agreement to \$5.0 million plus capitalised interest; and

- following the Convertible Note Conversion, allowing East 33 to maintain the Facility Limit under the Facility Agreement at \$15.0 million plus capitalised interest, meaning that, with the Loan Facility paid down by \$5.0 million, East 33 will have a total of \$10.0 million that can be drawn under the Facility Agreement,

(**Recapitalisation Transaction**).

The proceeds from the Recapitalisation Transaction will then be applied as follows:

Item	Funds received	Funds applied
Convertible Note Conversion	\$5.0 million deemed to be received following the issue of Conversion Shares in reduction of the Loan Facility.	N/A
Maintenance of Facility Limit under the Facility Agreement	<ul style="list-style-type: none"> <li>• \$10.0 million already drawn under the Loan Facility;</li> <li>• \$5.0 million repaid under the Loan Facility (by way of the Convertible Note Conversion); and</li> <li>• \$5.0 million plus capitalised interest loan balance under the Loan Facility.</li> </ul> <p><b>\$10.0 million available to be drawn</b></p>	<p>Of the \$10.0 million available to be drawn under the Loan Facility:</p> <ul style="list-style-type: none"> <li>• \$5.5 million will be applied to the repayment of the Short-term Debt; and</li> <li>• \$4.5 million will be applied for working capital.</li> </ul>
Debt position	<b>\$15.0 million plus capitalised interest (as a result of the Convertible Note Conversion) and assuming the Loan Facility is fully drawn</b>	<b>\$15.0 million plus capitalised interest (as a result of the Convertible Note Conversion) and assuming the Loan Facility is fully drawn</b>

### Conditions precedent

The Recapitalisation Transaction is subject to a number of key conditions precedent to becoming effective. These consist of the following:

- Receipt of the following Shareholder approvals:
  - (a) a resolution approving the amendments to the terms of the Convertible Note as contained in the Amended Convertible Note Agreement under ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act
  - (b) a resolution approving the issue of the Conversion Shares (as defined in the Amended Convertible Note Agreement) under item 7 of section 611 and Chapter 2E of the Corporations Act; and
  - (c) a resolution approving the amendments to the terms of the Facility Agreement as contained in the Amended Facility Agreement under ASX Listing Rule 10.1 of the Corporations Act.
- The provision of the strategic review to Yumbah Finance, the results of which are detailed in this ASX Announcement.
- The issue of the Conversion Shares.
- Other customary conditions precedents prior to the drawdown of funds under the Amended Facility Agreement.

## The Yumbah voting power in East 33

The Conversion Price is the higher of:

- \$0.021; or
- a 10% discount to the 20-day volume weighted average price calculated to the last Trading Day prior to the Conversion Date.

What this means is that the minimum price for which the Conversion Shares in East 33 may be issued, will be \$0.021 per Conversion Share. The conversion of \$5.0 million under the Loan Facility at \$0.021 per Conversion Share equates to a maximum of 238,095,238 Conversion Shares.

The result will be that the voting power of Yumbah Finance (and its associated entities) in East 33 will increase from ~36% to ~ 56%.

The notice of meeting to be issued to Shareholders will be accompanied by an Independent Expert's Report opining on whether the Recapitalisation Transaction is fair and reasonable to the non-associated Shareholders.

## The Recapitalisation Documents

A high level snapshot of the proposed amendments as detailed in the Amended Convertible Note Subscription and the Amended Facility Agreement is contained at Appendix A to this ASX Announcement.

## Timetable

It is anticipated that the Recapitalisation Transaction will be implemented in accordance with the following timetable:

Date	Event
22 March 2024	Dispatch of Notice of General Meeting and Explanatory Statement
23 April 2024	General Meeting of Shareholders
26 April 2024	Issue of the Conversion Shares
30 April 2024	Draw-down under the Loan Facility
30 April 2024	Repayment of the Short-term Debt

\*Dates are indicative only and are subject to change.

The Company's Non-Executive Independent Chair Ms Sarah Courtney commented, "*East 33 has strong opportunities ahead of it and requires additional capital to deliver upon them. As well as providing the ability to invest in our future, this transaction ensures we can meet our short-term debt obligations*".

This Announcement is authorised for release by the Directors of East 33 Limited.

## 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 a 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 A – The Amended Convertible Note Subscription Agreement and Amended Facility Agreement

A high level snapshot of the proposed amendments as detailed in the Amended Convertible Note Subscription Agreement is as follows:

Item	Detail (in the original Convertible Note Subscription Agreement)	Proposed amendments to the Convertible Note Subscription Agreement (as detailed in the Amended Convertible Note Subscription Agreement)
<b>Document:</b>	Convertible Note Subscription Agreement	Amended Convertible Note Subscription Agreement
<b>Issuer:</b>	East 33	No change.
<b>Subscriber:</b>	Yumbah Finance	No change.
<b>Convertible Note</b>	1 Convertible Note	No change.
<b>Face Value:</b>	<p>The Convertible Note has a Face Value being the amount of the secured money under the Facility Agreement at the earlier of:</p> <ul style="list-style-type: none"> <li>the maturity date (as defined in the Facility Documents); and</li> <li>the date the Loan Facility may be earlier terminated due to a payment event of default or an insolvency event by East 33 (<b>Relevant Event of Default</b>),</li> </ul> <p><b>(Termination Date)</b>.</p>	No change.
<b>Conversion:</b>	Yumbah Finance may elect to convert all or part of the Face Value into Shares in East 33 during the period commencing on the Business Day that is 10 Business Days prior to the Termination Date and concluding on the date that is 10 Business Days after the Termination Date.	<p>The Amended Convertible Note Subscription Agreement incorporates new provisions such that:</p> <ul style="list-style-type: none"> <li>subject to the Shareholder approvals, \$5.0 million of the Face Value, being the 'Conversion Amount (Tranche 1)' will be converted into Shares by way of the issue of the Conversion Shares (Tranche 1); and</li> <li>the Conversion Amount (Tranche 1) will be paid by Yumbah Finance by way of the reduction in the Yumbah Debt equal to the Conversion Amount (Tranche 1), namely \$5.0 million.</li> </ul> <p>The pricing for determining the number of Conversion Shares (Tranche 1) issued on conversion of the Conversion Amount (Tranche 1) is detailed below.</p> <p>The provisions relating to the conversion of the balance of the Face Value remain unchanged.</p>
<b>Conversion Price:</b>	<p>The number of Shares in East 33 that Yumbah Finance may acquire will be determined by dividing the Conversion Amount by the Conversion Price.</p> <p>The Conversion Price means the higher of:</p> <ul style="list-style-type: none"> <li>\$0.021; or</li> <li>a 10% discount to the 20 day volume weighted average price calculated to the last Trading Day prior to the Conversion Date.</li> </ul> <p>What this means is that the minimum price for which the ordinary shares in East 33 may be issued will be \$0.021 per ordinary share.</p>	<p>The Conversion Price remains unchanged.</p> <p>The number of Conversion Shares (Tranche 1) to be issued will be determined by dividing the Conversion Amount (Tranche 1), being \$5.0 million by the Conversion Price, being the higher of:</p> <ul style="list-style-type: none"> <li>\$0.021; or</li> <li>a 10% discount to the 20 day volume weighted average price calculated to the last Trading Day prior to the Conversion Date.</li> </ul> <p>What this means is that the minimum price for which the ordinary shares in East 33 may be issued will be \$0.021 per ordinary share resulting</p>

		in a maximum of 238,095,238 Conversion Shares (Tranche 1).
<b>Conversion Condition:</b>	<p>In the event the issue of the ordinary shares may result in a contravention of the takeover thresholds by the Yumbah Entities, then such conversion will be subject to the approval of Non-Associated Shareholders of East 33 for the purposes of item 7 of section 611 of the Corporations Act.</p> <p>Any such notice of meeting containing a resolution relating to item 7 of section 611 of the Corporations Act will be accompanied by an independent expert report opining on whether the issue of the shares to the Yumbah Finance is fair and reasonable to the Non-Associated Shareholders of East 33.</p>	<p>No change.</p> <p>However, the issue of the Conversion Shares (Tranche 1) is subject to Shareholder approval.</p>
<b>Cancellation of Convertible Note – on conversion or repayment of the balance under the Facility Agreement</b>	<p>On repayment of the Face Value of the Convertible Note, either:</p> <ul style="list-style-type: none"> <li>by way of conversion in whole or part; and</li> <li>the repayment of the secured money payable under the under the terms of the Facility Agreement,</li> </ul> <p>the Convertible Note will be cancelled.</p>	<p>No change, however on the issue of the Conversion Shares (Tranche 1), the balance of the Yumbah Debt will remain outstanding, meaning that the Convertible Note will remain on issue with a Face Value reflecting the balance of the Yumbah Debt.</p>

A high level snapshot of the proposed amendments to the Facility Agreement as detailed in the Amended Facility Agreement is as follows:

<b>Item</b>	<b>Detail (in the original Facility Documents)</b>	<b>Proposed amendments to the Facility Agreement (as detailed in the Amended Facility Agreement)</b>
<b>Financier:</b>	Yumbah Finance	No change.
<b>Borrower:</b>	East 33	No change.
<b>Guarantors:</b>	All wholly owned subsidiaries of East 33	No change.
<b>Facility Limit:</b>	<p>\$15.0 million. To be drawn as follows:</p> <ul style="list-style-type: none"> <li>August 2023 - \$8.0 million;</li> <li>December 2023 - \$1.0 million;</li> <li>January 2024 - \$4.0 million; and</li> <li>June 2024 - \$2.0 million.</li> </ul>	<p>The Facility Limit of \$15.0 million plus capitalised interest will remain unchanged.</p> <p>The repayment of the \$5.0 million by way of the issue of the Conversion Shares (Tranche 1) means that Yumbah Finance has allowed \$5.0 million under the Facility Limit to be re-drawn.</p> <p>The draw down schedule has been revised such that the \$10.0 million can be drawn down between 30 April 2024 and 30 June 2025 in amounts of not less than \$500,000 and following the provision of a draw notice.</p> <p>\$5.5 million will be drawn down in April 2024 such that the short-term debt of \$5.5 million can be repaid.</p>
<b>Maturity Date:</b>	Five years after the date of financial close.	No change.
<b>Repayment:</b>	<ul style="list-style-type: none"> <li>\$0 in the first year;</li> <li>\$250,000 per quarter in the second year;</li> <li>\$350,000 per quarter in the third, fourth and fifth years; and</li> <li>the outstanding balance at the end of the term.</li> </ul>	No change.
<b>Security Documents (the Securities)</b>	The same securities as were in place under the NAB arrangements, namely:	No change.

	<ul style="list-style-type: none"> <li>• general security agreements over the Borrower and the Guarantors;</li> <li>• a guarantee from each of the Guarantors;</li> <li>• mortgages over all Crown Leases of East 33 and its Subsidiaries; and</li> <li>• mortgages over real property, including all oyster leases under which East 33 or a Guarantor is the sole lessee.</li> </ul>	
<b>Prepayment:</b>	Loans may be prepaid in whole or in part on 5 Business Days' prior notice (but, if in part, by a minimum of \$100,000). Any prepayment shall be made without premium or penalty.	No change.
<b>Interest:</b>	The aggregate of: <ul style="list-style-type: none"> <li>• 5% per annum; and</li> <li>• interest rate benchmark, BBSY (Bid).</li> </ul>	No change.
<b>Payment of Interest:</b>	Interest will be capitalised for the first 12 months following the initial drawdown and then paid monthly.	No change. Interest payments will commence in August 2024.
<b>Financial covenants Interest coverage:</b>	<p>– Interest coverage based on earnings before interest, tax, depreciation and amortization (excluding non-cash impairments) will be:</p> <ul style="list-style-type: none"> <li>• 31 December 2023 - N/A;</li> <li>• 30 June 2024 - one (1) times;</li> <li>• 31 December 2024 - one (1) times; and</li> <li>• 30 June 2025 (and subsequent) - two (2) times.</li> </ul> <p>This is measured half yearly. If this is not satisfied, this will constitute a review event under the Loan Facility.</p>	No change, however a waiver of this covenant for 30 June 2024 has been granted by Yumbah Finance.
<b>Financial covenants Impairment charges:</b>	<p>– From June 2024, the total non-cash impairment charge may not be greater than \$0.5m for any 12-month period.</p> <p>If this is not satisfied, this will constitute a review event under the Loan Facility.</p>	No change, however a waiver of this covenant for 30 June 2024 has been granted by Yumbah Finance.
<b>Financial covenants CAPEX Depreciation</b>	<p>– From June 2024, maintenance CAPEX must not exceed depreciation for any 12-month period.</p> <p>V If this is not satisfied, this will constitute a review event under the Loan Facility.</p>	No change.
<b>Events of default</b>	<p>The following are the key events of default which will allow Yumbah Finance to enforce the Facility Agreement:</p> <ul style="list-style-type: none"> <li>• Non-payment.</li> <li>• Insolvency.</li> <li>• Cross default.</li> <li>• Non-satisfaction of a wavier condition.</li> <li>• Incorrect statements or representations.</li> <li>• Judgement exceeding \$500,000.</li> <li>• Material change or stoppage of business.</li> <li>• Change in control.</li> <li>• Material adverse event.</li> <li>• A material part of the Company business is destroyed or materially damaged.</li> <li>• Loss of, or failure to obtain, a material authorisation;</li> <li>• Investigation.</li> <li>• A guarantee or security interest is enforced.</li> </ul>	No change.