



East 33 Limited

ASX ANNOUNCEMENT

For immediate release

18 April 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.

Revised Facility Agreement

The CEO completed a strategic review of the business' strategy and go-forward position, as per the ASX announcement issued 29 February 2024. Along with identifying new initiatives to improve business profitability and growth, the review also noted 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 covenant for the 12 month period ending 30 June 2024 (**Financial Covenants**) along with additional capital in the amount of \$5.0 million in order to repay the short term debt outlined in the ASX announcement noted above, subject to shareholder approval. This will also allow East 33 to 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.

Corporate

During the quarter the business focused on aligning internal collaboration to achieve favourable performance outcomes and more clarity in forward-looking financial planning. Forward cash position remains strictly managed and the business is positioning itself to activate management's plans set out in the strategic review. Core to the future cashflows of the business is the outcome of the General Meeting to be held on 23 April 2024, as announced in the ASX announcement issued on 22 March 2024. The business maintained a strong trading position during the period driven by performance of the Distribution business supported by farming supply.

Operational - Distribution (CMB)

Following the favourable trading results through the Christmas period, CMB continued to focus on maintaining favourable margins on oyster sales. Despite the volumes of oysters sold through the distribution business being below the previous year, gross earnings exceeded targets as a more focused approach was taken to commercial activities. Oyster supply within the industry through the period returned to a relatively normal state from the previous quarter. This allowed CMB to focus on strategic purchasing activities which underpinned the gross earnings result.

CMB's financial results were also supported through a diversified earnings strategy. New commercial arrangements to increase the CMB facility utilisation were activated, increasing the earnings of the business unit.

Operationally, CMB continued to focus on operational excellence, through diligent management, QA and food safety processes. These processes were recognised through a 3rd party SQF Food Safety Audit, during the period which delivered a 99% compliant audit report.

Farming

Following the oyster maturation and condition challenges, compounded with the closure of Wallis Lake, discussed in the previous quarter, the farming business was able to materially increase its supply of stock to the market. Harvests increased across the business' Port Stephens and Wallis Lake farms, delivering against healthy demand for oysters observed in the market. Notably, the exceptional condition of our harvested stock across both locations provides management with added confidence regarding the future trajectory of our harvest volumes and the extended seasonal windows ahead.

In addition to a strong harvest and off-farm sales focus, the business also increased its activities relating to the improvement of the forecast harvest profile. Through strategic stock development opportunities, the farming network was able to materially

increase on-farm biological value in support of future harvest volumes. Ultimately, this will increase the stock available for future harvests and improve the overall margins across the East 33 vertically integrated supply chain.

Central to the success of the consolidation of the farming business' stock will be the growth and quality outcomes of new juvenile oysters entering the systems. Conditions for young oysters were challenging through the period leading to variability in the on-farm biomass of oyster spat. Monitoring and mitigating these challenges is a core focus of the business going forward.

Forward Looking

Following the conclusion of the strategic review, the business has now shifted to implementing a number of the operational programs required to underpin future success. These include the stabilisation of our on-farm stock volumes, development of infrastructure and further integration across our vertically integrated supply chain. These initiatives will be built out as management develops a detailed view on the upcoming financial year through the budgeting process.

Core to the long-term aspirations of the business is increasing the capability within the senior leadership team and unlocking additional value within the business. This will be completed against the backdrop of strict working capital management.

Major cashflow movements

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

- Receipt from customers - \$6.5m;
- Product manufacturing and operating costs - \$4m;
- Staff costs - \$2.5m;
- Proceeds from borrowings - \$5.5m; and
- Repayment of borrowings - \$6.1m.

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:

Justin Welsh – CEO

Email: cosec@east33.sydney

Phone: +61 3 9692 7222

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")

March 2024

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	6,445	17,516
1.2 Payments for		
(a) research and development	Nil	Nil
(b) product manufacturing and operating costs	(3,979)	(12,363)
(c) advertising and marketing	(15)	(50)
(d) leased assets	Nil	Nil
(e) staff costs	(2,466)	(6,763)
(f) administration and corporate costs	(355)	(987)
1.3 Dividends received (see note 3)	Nil	Nil
1.4 Interest received	Nil	Nil
1.5 Interest and other costs of finance paid	(141)	(309)
1.6 Income taxes paid	Nil	Nil
1.7 Government grants and tax incentives	Nil	Nil
1.8 Other (dispute instalment)	(115)	(414)
1.9 Net cash from / (used in) operating activities	(626)	(3,370)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	Nil	(30)
(b) businesses	(60)	(1,060)
(c) property, plant and equipment	(100)	(202)
(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	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	(160)	(1,272)

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	5,500	15,750
3.6	Repayment of borrowings	(6,119)	(10,681)
3.7	Transaction costs related to loans and borrowings	(83)	(196)
3.8	Dividends paid	Nil	Nil
3.9	Other (provide details if material)	Nil	(139)
3.10	Net cash from / (used in) financing activities	(702)	4,734

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,473	893
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(626)	(3,370)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(160)	(1,272)

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)	(702)	4,734
4.5	Effect of movement in exchange rates on cash held	Nil	Nil
4.6	Cash and cash equivalents at end of period	985	985

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
5.1	Bank balances	938	2,432
5.2	Call deposits	Nil	Nil
5.3	Bank overdrafts	Nil	Nil
5.4	Other (cash on hand)	47	41
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	985	2,473

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	15,500	15,500
7.2	Credit standby arrangements	Nil	Nil
7.3	Other (RCPS)	Nil	Nil
7.4	Total financing facilities	15,500	15,500
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 Loan facilities total of \$20.5 million, made up of the Yumbah Finance Pty Ltd ("Yumbah Finance") loan facility totalling \$15 million includes \$5 million which is yet to be drawn down as it is subject to discussion and agreement with Yumbah Finance and was therefore excluded from the total facility available (only \$10.0 million shown above). Refer to details in 8.6.2 regarding a recapitalisation and funding plan with Yumbah Finance that is currently subject to shareholder approval in April 2024.</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>Also included in the total facility in 7.1 is a short-term debt facility of \$5.5 million dollars ("Short Term Facility") with Anthony Rupnik, Tom Rupnik, Stephen Verdich and a controlled entity.</p> <p>The Short Term Facility is unsecured and carries an interest rate of BBSY plus 5.0% per annum, payable up front in the aggregate amount of \$140,227 and is repayable on by 30 April 2024.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(626)
8.2	Cash and cash equivalents at quarter end (item 4.6)	985
8.3	Unused finance facilities available at quarter end (item 7.5)	Nil
8.4	Total available funding (item 8.2 + item 8.3)	985
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.57
	<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: Entity is expected to generate negative cashflows in the short term due to the operating costs exceeding expected earnings. As disclosed in the ASX announcement dated 14 February 2024 this arose as a result of forecast challenges with the maturation rate of our oyster stock.

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: Yes. A recapitalisation and funding plan with Yumbah Finance is currently subject to shareholder approval in April.

Subject to shareholder approval, the Recapitalisation documents allow for a variation to the facility agreement with Yumbah Finance whereby East 33 will have access to additional debt funding. This is to be facilitated by way of:

- the conversion of \$5.0 million of the Face Value of the Convertible Note (Convertible Note Conversion) into Shares (Conversion Shares (Tranche 1)), with such number of Conversion Shares (Tranche 1) being determined by dividing the \$5.0 million of the Face Value (Conversion Amount (Tranche 1) by the Conversion Price.

The \$5.0 million will be deemed to be paid by Yumbah Finance in reduction of the amount owing by East 33 under the Facility Agreement, which has a total 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 further \$10.0 million that can be drawn under the Facility Agreement

Please refer to ASX release dated 29 February 2024.

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: Yes. Subject to shareholder approval the recapitalisation will create sufficient working capital for the business to continue its operations based on management forecasts.

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:18 April 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.