



East 33 Limited
ABN 70 636 173 281

Interim Financial Statements 31 December 2021

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East 33 Limited
Appendix 4D
Interim report

1. Company details

Name of entity:	East 33 Limited
ABN:	70 636 173 281
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	156%	to	11,038
Loss from ordinary activities after tax attributable to the owners of East 33 Limited	down	57%	to	(1,146)
Loss for the half-year attributable to the owners of East 33 Limited	down	57%	to	(1,146)

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,146,172 (31 December 2020: \$2,677,044).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.9</u>	<u>0.84</u>

4. Control gained over entities

Entity or previous business owner	Date Acquired	Percentage
CMB Seafoods Pty Ltd	21/07/2021	100%
AJ Troup (business acquisition)	21/07/2021	100%

	\$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	1,096
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	1,198

5. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

6. Attachments

The Interim Report of East 33 Limited for the half-year ended 31 December 2021 is attached.

7. Signed

Signed  _____

Date: 28 February 2022

James Garton
Director
Sydney

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East 33 Limited

ABN 70 636 173 281

Interim Report – 31 December 2021

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East 33 Limited
31 December 2021
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**East 33 Limited
Directors' report
31 December 2021**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of East 33 Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of East 33 Limited during the financial half-year and up to the date of this report. Directors were in office for this entire period unless otherwise stated:

James Garton
Mark Nagy
Guy Burnett
Kara Hurry Walker (appointed 26 July 2021, resigned 31 January 2022)
Georgina Williams (appointed 26 July 2021)
Philip Corne (appointed 26 July 2021)
Geoffrey Erby (appointed 26 July 2021)
Xingqi Gao (appointed 26 July 2021)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of oyster farming and sales.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,146,000 (31 December 2020 loss of \$2,677,000). Total revenue amounted to \$11,038,000 (2020: \$4,315,000).

In the first quarter of FY22 Covid 19 had a negative impact on product demand; however, due to traditional seasonality there was only a marginal impact on financial results in the first quarter. The impact of COVID 19 in the second quarter significantly limited East 33's labour pool thereby significantly reducing East 33's ability to harvest mature stock for market and process (shuck) highly time sensitive pre-Christmas demand. As a result, East 33 was unable to meet client demand in both farm gate and processed oysters.

This lack of volume harvested and processed has significantly altered the first half FY22 results relative to Prospectus. Despite these challenges, both farming and distribution segments achieved positive EBITDA and cashflows and represented strong growth year on year.

In response to the competitive labour force, in particular in regional NSW, East 33 has significantly increased its wages cost and correspondingly has significantly increased its product pricing.

East 33 remains resolute and well positioned to continue on its core objective of growing its farming operations, achieving economies of scale and increasing the value of its product through stock quality improvement, sales channel mix and end consumer demand preferencing.

East33 Limited
Directors' report
31 December 2021

Significant changes in the state of affairs

Initial public offering

On 21 July 2021, the group successfully completed an Initial Public Offering (IPO) on the Australian Securities Exchange and raised \$32 million in equity before costs. In addition, the Group secured a \$10 million facility from NAB. The funding was used to settle outstanding/new vendor commitments of \$19.8 million and the interim bridge loan facility of \$8.9 million with the balance used to fund working capital.

At completion of the IPO:

- The Group completed the acquisition of CMB Seafoods Pty Ltd (a large oyster processing and distribution facility based in Sydney) for \$17.9 million and the Troup business (an oyster hatchery) for \$3.3 million, further bolstering the Group's oyster supply chain
- pursuant to the various share purchase agreements entered into, existing vendor liabilities of \$4 million were extinguished via issuance of redeemable convertible preference shares,
- A further issuance of redeemable convertible preference shares of \$5.6m were issued in part consideration for business acquisitions completed at the date of the IPO,
- \$1.4 million of vendor liabilities were converted to equity and a total of \$9.7 million was paid in cash,
- Convertible notes totaling \$5.2 million issued on 21 December 2020 were converted to equity,
- 160 million ordinary shares issued to new investors, raising \$32 million.

Due to the Coronavirus (COVID-19) pandemic, judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant long term impacts upon the future financial performance of the Group. The pandemic has impacted the group in development of new sales channels and in the ability to attract and retain staff to undertake key operational activities. The impacts of these have been seen in lower than expected sales, despite strong demand, especially through the Christmas period.

Loan interest cover

The Group has a loan from NAB, secured over the assets of the group which required an interest cover ratio at 31 December 2021 of 3:1 of EBIT. Due to the loss for the six months to December 2021, the group has not met this covenant and the loan is classified as current. Subsequent to balance date, NAB have provided a waiver of this covenant for this reporting period.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



James Garton
Director

28 February 2022
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of East 33 Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
28 February 2022

B G McVeigh
Partner

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East 33 Limited
General information
31 December 2021

The financial statements cover East 33 Limited as a consolidated entity consisting of East 33 Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is East 33 Limited's functional and presentation currency.

East 33 Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 30, Tower 2,
200 Barangaroo Avenue
Sydney NSW 2000

Principal place of business

12 Point Road
Tuncurry NSW 2428

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2022.

East 33 Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Group Revenue	3	11,038	4,315
Cost of sales	5	(8,851)	(3,121)
Gross profit		<u>2,187</u>	<u>1,194</u>
Biological assets change in fair value		2,359	190
Other income	4	687	533
Expenses			
Employee benefits expense		(4,284)	(1,762)
Marketing expense		(386)	(438)
Occupancy expense		(201)	(38)
Legal expenses		(12)	-
Share-based payments	5	(15)	-
Administration expense		(981)	(830)
Total operating expenses		<u>(5,879)</u>	<u>(3,068)</u>
Fair value adjustments of financial liabilities		704	-
EBITDA		58	(1,151)
Depreciation and amortisation expense		(793)	(329)
EBIT		(735)	(1,480)
Finance costs		(411)	(1,173)
Net Loss Before Tax		(1,146)	(2,653)
Income tax Expense		-	(24)
Loss after income tax expense for the half-year	5	<u>(1,146)</u>	<u>(2,677)</u>
Other comprehensive income		-	-
Total comprehensive loss for the half-year		<u>(1,146)</u>	<u>(2,677)</u>
		Cents	Cents
Earnings per share for loss attributable to the owners of East 33 Limited			
Basic loss per share		(0.46)	(163.87)
Diluted loss per share		(0.46)	(163.87)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

East 33 Limited
Statement of financial position
As at 31 December 2021

		Consolidated	
	Note	31 Dec 2021	30 Jun 2021
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6	5,518	849
Trade and other receivables		4,537	2,346
Biological assets		6,520	7,293
Inventories		337	209
Total current assets		<u>16,912</u>	<u>10,697</u>
Non-current assets			
Biological assets		6,080	5,399
Property, plant and equipment	7	12,688	9,337
Right-of-use assets	8	1,905	1,725
Intangible assets	9	30,348	12,370
Deferred tax assets		1,237	622
Other		-	274
Total non-current assets		<u>52,258</u>	<u>29,727</u>
Total assets		<u>69,170</u>	<u>40,424</u>
Liabilities			
Current liabilities			
Trade and other payables	10	3,188	2,494
Deferred acquisition consideration	11	1,320	15,182
Borrowings	12	9,384	13,693
Lease liabilities		270	188
Total current liabilities		<u>14,162</u>	<u>31,557</u>
Non-current liabilities			
Lease liabilities		1,850	1,833
Borrowings	12	284	-
Deferred acquisition consideration	11	1,351	-
Deferred tax liability		1,169	554
Other liabilities	14	9,696	1,200
Total non-current liabilities		<u>14,350</u>	<u>3,587</u>
Total liabilities		<u>28,512</u>	<u>35,144</u>
Net assets		<u>40,658</u>	<u>5,280</u>
Equity			
Issued capital	15	49,237	12,728
Reserves		15	-
Accumulated losses		(8,594)	(7,448)
Total equity		<u>40,658</u>	<u>5,280</u>

The above statement of financial position should be read in conjunction with the accompanying notes

East 33 Limited
Statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital \$'000	Share based payment Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance- at 1 July 2020	-	-	(1,972)	(1,972)
Loss after income tax expense for the half-year	-	-	(2,677)	(2,677)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(2,677)	(2,677)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued on conversion of convertible note	12,728	-	-	12,728
Balance at 31 December 2020	12,728	-	(4,649)	8,079
Consolidated	Issued capital \$'000	Share based payment Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	12,728	-	(7,448)	5,280
Loss after income tax expense for the half-year	-	-	(1,146)	(1,146)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,146)	(1,146)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of ordinary shares	36,050	-	-	36,050
Notes converted to equity	5,185	-	-	5,185
Share-based payments	-	15	-	15
Capital raising costs	(4,726)	-	-	(4,726)
Balance at 31 December 2021	49,237	15	(8,594)	40,658

The above statement of changes in equity should be read in conjunction with the accompanying notes

East 33 Limited
Statement of cash flows
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		8,982	3,974
Receipt of Government Grants		639	356
Payment of legal settlement		(420)	-
Payments to suppliers and employees		(11,232)	(7,140)
Interest and other finance costs paid		(127)	-
Income taxes paid		(268)	-
		<u>(2,426)</u>	<u>(2,810)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Settlement of vendor finance	20	(9,725)	(314)
Payment for business acquisitions, net of cash acquired	20	(11,100)	(2,972)
Payments for property, plant and equipment		(2,135)	(187)
		<u>(22,960)</u>	<u>(3,473)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Repayment of lease liabilities		(242)	(30)
Net proceeds from convertible note		-	4,547
Net proceeds from share issuance		29,910	-
Net proceeds from borrowings		9,502	-
Repayment of borrowings		(9,115)	-
		<u>30,055</u>	<u>4,517</u>
Net cash provided by financing activities			
Net increase/(decrease) in cash and cash equivalents		4,669	(1,766)
Cash and cash equivalents at the beginning of the financial half-year		849	2,959
		<u>5,518</u>	<u>1,193</u>
Cash and cash equivalents at the end of the financial half-year			

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern

On 21 July 2021, East 33 Limited successfully listed on the Australian Securities Exchange and raised \$32 million of capital before costs. Additional funding by way of a \$10 million NAB loan facility was secured in July 2021. The funds were used to settle short term borrowings of \$8.9 million and pay vendor liabilities.

Loan interest cover

The consolidated entity has a loan from NAB, secured over the assets of the consolidated entity which required an interest cover ratio at 31 December 2021 of 3:1 of EBIT. Due to the loss for the six months to December 2021, the consolidated entity has not met this covenant. Subsequent to balance date, NAB has provided a waiver of this covenant for this reporting period. In accordance with Australian Accounting Standards this loan is required to be disclosed entirely as a current liability. Refer to Note 13 for the contracted repayment schedule.

The Directors are of the opinion that the consolidated entity is a going concern for the following reason:

- The operations will continue to generate cash flow from operations, along with an ability to adjust operating expenses.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three operating segments based on differences in products and services provided: oyster farming, oyster distribution and corporate and sundry segment. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Oyster farming	The farming and wholesaling of oysters in Australia,
Distribution	The wholesaling and retailing of shucked and un-shucked oysters and other seafood in Australia,
Corporate and Sundry	The provision of corporate services to the consolidated entity, restaurant and online services in Australia.

East 33 Limited
Notes to the financial statements
31 December 2021

Note 2. Operating segments (continued)

Intersegment transactions

All intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received and do not incur interest/penalties. Intersegment loans are eliminated on consolidation.

Operating segment information

Consolidated - 31 Dec 2021	Oyster Farming \$'000	Corporate and Sundry \$'000	Distribution \$'000	Total \$'000
Revenue				
Sales to external customers	1,404	1,159	8,475	11,038
Intersegment sales	1,763	-	449	2,212
Total sales revenue	3,167	1,159	8,924	13,250
Other revenue	-	-	-	-
Total segment revenue	3,167	1,159	8,924	13,250
Intersegment eliminations				(2,212)
Total revenue				11,038
EBITDA	485	(2,311)	1,180	(646)
Depreciation and amortisation	(647)	(66)	(80)	(793)
Interest revenue				-
Fair value of liabilities through profit and loss				704
Finance costs				(411)
Loss before income tax expense				(1,146)
Income tax expense				-
Loss after income tax expense				(1,146)
Assets				
Segment assets	36,122	4,118	4,152	44,392
Intersegment eliminations				(1,546)
<i>Unallocated assets:</i>				
Cash and cash equivalents				5,518
Goodwill				17,664
Right of use assets				1,905
Deferred tax asset				1,237
Total assets				69,170
Liabilities				
Segment liabilities	1,790	3,504	1,748	7,042
Intersegment eliminations				(1,222)
<i>Unallocated liabilities:</i>				
Lease liabilities				2,159
Borrowings				9,668
Other liabilities				9,696
Deferred tax liability				1,169
Total liabilities				28,512

East 33 Limited
Notes to the financial statements
31 December 2021

Note 2. Operating segments (continued)

	Oyster Farming	Corporate and sundry	Distribution ¹	Total
Consolidated - 31 Dec 2020	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales to external customers	1,962	2,353	-	4,315
Intersegment sales	67	-	-	67
Total segment revenue	2,029	2,353	-	4,382
Intersegment eliminations				(67)
<i>Unallocated revenue:</i>				
Interest revenue				-
Total revenue				4,315
EBITDA	166	(1,317)	-	(1,151)
Depreciation and amortisation	(211)	(118)		(329)
Interest revenue				-
Finance costs				(1,173)
Loss before income tax expense				(2,653)
Income tax expense				(24)
Loss after income tax expense				(2,677)

	Oyster Farming	Corporate and Sundry	Distribution	Total
Consolidated – 30 June 2021	\$'000	\$'000	\$'000	\$'000
Assets				
Segment assets	18,245	22,179	-	40,424
Total assets				40,424
Liabilities				
Segment liabilities	1,144	34,000	-	35,144
Total liabilities				35,144

¹ The Distribution business was acquired on 22 July 2021

East 33 Limited
Notes to the financial statements
31 December 2021

Note 3 Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Oyster Farming	Corporate and Sundry	Distribution	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated - 31 Dec 2021				
<i>Major product lines</i>				
Oyster sales (includes restaurant and online sales)	3,167	470	8,924	12,561
Less intersegment sales	(1,763)	-	(449)	(2,212)
Oyster sales to external customers	1,404	470	8,475	10,349
Other sundry sales	-	689	-	689
Group Revenue	1,404	1,159	8,475	11,038
<i>Geographical regions</i>				
Australia	1,404	1,155	8,475	11,034
Other	-	4	-	4
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	1,404	1,159	8,475	11,038
Services transferred over time	-	-	-	-
	1,404	1,159	8,475	11,038
Consolidated - 31 Dec 2020				
<i>Major product lines</i>				
Oyster sales (includes restaurant and online sales)	1,962	617	-	2,579
Other sundry sales	-	1,575	-	1,575
Bottle shop and online sales	-	161	-	161
	1,962	2,353	-	4,315
<i>Geographical regions</i>				
Australia	1,962	2,353	-	4,315
Other	-	-	-	-
	1,962	2,353	-	4,315
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	1,962	2,353	-	4,315
Services transferred over time	-	-	-	-
	1,962	2,353	-	4,315

East 33 Limited
Notes to the financial statements
31 December 2021

Note 4. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Gain from bargain purchases on current year acquisitions	-	177
Adjustments on prior year acquisitions	16	-
Government grants	639	349
Other sundry income	32	7
	<u>687</u>	<u>533</u>

Note 5. Expenses

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	<u>8,851</u>	<u>3,121</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	362	1,173
Interest and finance charges paid/payable on lease liabilities	<u>49</u>	<u>-</u>
Finance costs expensed	<u>411</u>	<u>1,173</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>347</u>	<u>140</u>
<i>Share-based payments expense</i>		
Share-based payments expense	<u>15</u>	<u>-</u>

Note 6. Cash and cash equivalents

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Cash on hand	63	-
Cash at bank	<u>5,455</u>	<u>849</u>
	<u>5,518</u>	<u>849</u>

East 33 Limited
Notes to the financial statements
31 December 2021

Note 7. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Plant and equipment - at cost	7,498	5,061
Less: Accumulated depreciation	(697)	(352)
	<u>6,801</u>	<u>4,709</u>
Buildings and improvements - at cost	5,507	4,519
Less: Accumulated depreciation	(182)	(135)
	<u>5,325</u>	<u>4,384</u>
Motor Vehicles - at cost	516	184
Less: Accumulated depreciation	(32)	(14)
	<u>484</u>	<u>170</u>
Office Equipment - at cost	63	56
Less: Accumulated depreciation	(20)	(13)
	<u>43</u>	<u>43</u>
Computer Equipment - at cost	54	42
Less: Accumulated depreciation	(19)	(11)
	<u>35</u>	<u>31</u>
Total	<u><u>12,688</u></u>	<u><u>9,337</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

31 December 2021 Consolidated	Plant and equipment \$'000	Building and improvements \$'000	Motor Vehicles	Office Equipment	Computer equipment \$'000	Total \$'000
Balance at 1 July 2021	4,709	4,384	170	43	31	9,337
Business combinations (note 18)	912	1,066	75	7	4	2,064
Prior year adjustments	-	(296)	-	-	-	(296)
Additions	1,525	218	257	-	8	2,008
Depreciation expense	(345)	(47)	(18)	(7)	(8)	(425)
Balance at 31 December 2021	<u><u>6,801</u></u>	<u><u>5,325</u></u>	<u><u>484</u></u>	<u><u>43</u></u>	<u><u>35</u></u>	<u><u>12,688</u></u>

Refer to note 17 for further information on fair value measurement.

Note 8. Right-of-use assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Oyster and Crown Leases – right-of-use	1,706	1,608
Property Leases	415	240
Less: Accumulated amortisation	(216)	(123)
	<u>1,905</u>	<u>1,725</u>

Note 9. Intangible assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Goodwill	17,664	358
Less: Impairment	-	-
	<u>17,664</u>	<u>358</u>
Oyster/Crown Leases	13,164	12,306
Less: Accumulated amortisation	(589)	(319)
	<u>12,575</u>	<u>11,987</u>
Software - at cost	120	32
Less: Accumulated amortisation	(11)	(7)
	<u>109</u>	<u>25</u>
Total	<u>30,348</u>	<u>12,370</u>

Note 9. Intangible assets (continued)

Provisional accounting has been adopted in relation to goodwill measurement of \$17,306 thousand for the acquisition of CMB Seafoods Pty Ltd and the Troup business. During the period, the consolidated entity finalised the acquisition accounting of the Sciacca, C Wren and J Wilson businesses which were acquired in December 2020. The goodwill of \$358 thousand has been tested for impairment in the current period.

Impairment testing

The prior year provisionally accounted goodwill, has been allocated to the following cash-generating units:

- Farming unit – \$358,000

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the farming unit:

- 8% (2020: n/a) pre-tax discount rate;
- 0% (2020: n/a) per annum projected revenue growth rate;
- 0% (2020: n/a) per annum increase in operating costs and overheads.

The discount rate of 8% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the average volatility of the share price relative to market movements for similar businesses.

Management believes that any inflation led cost increases can be passed onto customers given the largely inelastic nature of the oyster demand.

There were no other key assumptions for the farming unit.

Based on the above, no impairment charge has been applied as the carrying amount of goodwill did not exceed its recoverable amount for the farming unit.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill \$'000	Oyster/Crown Leases \$'000	Software \$'000	Total \$'000
Balance at 1 July 2021	358	11,987	25	12,370
Additions through business combinations (note 18)	17,306	562	-	17,868
Additions	-	-	88	88
Prior year adjustments	-	296	-	296
Amortisation expense	-	(270)	(4)	(274)
Balance at 31 December 2021	<u>17,664</u>	<u>12,575</u>	<u>109</u>	<u>30,348</u>

East 33 Limited
Notes to the financial statements
31 December 2021

Note 10. Trade and other payables

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Trade payables	1,240	801
Employee benefits	553	322
Accrued expenses	620	625
Settlement of legal claim	400	-
Sales in advance	-	170
Other payables	375	576
	<u>3,188</u>	<u>2,494</u>

During the year an out of court settlement with a former shareholder was reached by the consolidated entity totaling \$1.62 million. An initial payment of \$0.42 million was made in July 21 with a further \$0.4 million due in July 22. The non-current portion of the settlement is outlined in note 14 below.

Note 11. Deferred Acquisition Consideration

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current</i>		
Cash deferred consideration for business acquisitions	1,320	9,782
Equity deferred consideration	-	5,400
Amounts payable for Business Acquisitions	<u>1,320</u>	<u>15,182</u>
	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Non-Current</i>		
Cash deferred consideration for business acquisitions	<u>1,351</u>	<u>15,182</u>

Note 12. Borrowings

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current</i>		
Convertible Notes	-	5,018
Loans	9,384	8,675
	<u>9,384</u>	<u>13,693</u>

Note 12. Borrowings(continued)

Non-Current

Long Term Loans

Consolidated	
31 Dec 2021	30 Jun 2021
\$'000	\$'000
284	-
<u>284</u>	<u>-</u>

Reconciliation of Convertible Note

Opening Balance
Convertible Notes issued
Convertible Note Costs Incurred
Amortisation of Convertible Note costs
Interest Accrued on Convertible Notes
Conversion to Equity
Closing Balance

Consolidated	
31 Dec 2021	30 Jun 2021
\$'000	\$'000
5,018	11,436
-	5,185
-	(100)
167	537
-	688
(5,185)	(12,728)
<u>-</u>	<u>5,018</u>

Reconciliation of Loans

Opening Balance
Loan facility drawdown
Asset finance loan drawdown
Borrowing costs
Amortisation of borrowing costs
Loan interest accrued
Loan repayments
Closing Balance

Consolidated	
31 Dec 2021	30 Jun 2021
\$'000	\$'000
8,675	-
10,000	8,100
350	-
(629)	-
87	-
300	575
(9,115)	-
<u>9,668</u>	<u>8,675</u>

The Group has a loan from NAB, secured over the assets of the group which required an interest cover ratio at 31 December 2021 of 3:1 of EBIT.

Due to the loss for the six months to December 2021, the group has not met this covenant and the loan is classified as current. Subsequent to balance date, NAB have provided a waiver of this covenant for this reporting period

Note 13. Financing arrangements

Assets pledged as security

On 21 July 2021, the Group secured a \$10 million loan from NAB.

The loan is secured by first mortgages over the consolidated entity's assets and it carries an interest rate of 5.50% + BBSY (currently 0.06%).

The repayment term is three years, with interest and principal to be repaid at regular quarterly intervals. \$250,000 in principal is paid quarterly from October 2021 to July 2022, with principal repayments increasing to \$625,000 quarterly from October 2022 and a balloon repayment of \$4,625,000 July 2024.

Additional asset finance loans were secured from NAB for a total of \$ 0.35 million. The loans are secured against the assets purchased, have a 5 year repayment term in equal instalments and carry an annualised interest rate of 3.53%.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Total facilities		
Bank overdraft	-	-
Bank loans	10,210	-
	<u>10,210</u>	<u>-</u>
Used at the reporting date		
Bank overdraft	-	-
Bank loans	10,210	-
	<u>10,210</u>	<u>-</u>
Unused at the reporting date		
Bank overdraft	-	-
Bank loans	-	-
	<u>-</u>	<u>-</u>

Note 14. Other non-current liabilities

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Settlement of legal claim	800	1,200
Redeemable preference shares -class A	6,284	-
Redeemable preference shares -class B	2,612	-
	<u>9,696</u>	<u>1,200</u>

During the half year the consolidated entity issued 6,000 redeemable convertible preference shares (class A) with a par value of \$1,000 and 3,600 redeemable convertible preference shares (class B) with a par value of \$1,000. The convertible shares were issued pursuant to share purchase agreements entered into with the owners of CMB Seafoods Pty Ltd and MS Verdich and Sons Pty Ltd.

Both classes of redeemable convertible preference shares have been designated at fair value through profit and loss.

Note 14. Other non-current liabilities (continued)

The redeemable preference shares were valued using Monte Carlo simulation.

Security Class	Class A	Class B
Number of Securities	6,000	3,600
Face Value	\$1,000 each	\$1,000 each
Issue Date	21 July 2021	21 July 2021
Maturity Date	21 January 2024	21 January 2024
Conversion Right	Convertible at election of holder	Convertible at election of issuer
Conversion Price	Conversion price is the higher of: \$0.20 or 25% discount to the 30-day VWAP immediately prior to date of request from the holder to convert	Conversion price is the higher of: \$0.20 or 25% discount to the 30-day VWAP immediately prior to date of request from the issuer to convert
Redemption Price	\$6,000,000 (Face Value)	\$4,140,000 (Face Value plus 15%)

The key inputs to the valuation are as follows:

	Inception	Balance Date
Volatility (%)	54%	56%
Risk free rate (%)	0.07%	0.56%
Share price at this date (\$)	0.245	0.21

A reconciliation of the fair value movement is outlined below:

	Class A \$'000	Class B \$'000
Face value on issue date	6,000	3,600
Inception fair value loss/(gain)	687	(1,310)
Fair value of instruments on issue date	6,687	2,290
Fair value loss/(gain) for the period	(403)	322
Fair value of instruments at balance date	<u>6,284</u>	<u>2,612</u>

East 33 Limited
Notes to the financial statements
31 December 2021

Note 15. Equity - issued capital

	Consolidated			
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	277,651,940	31,971,892	49,237	12,728

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Ordinary shares				
Balance	1 July 2021	31,971,892		12,728
Issue of ordinary shares at IPO	21 July 2021	160,000,000	0.2	32,000
Issue of ordinary shares to initial non-executive directors	21 July 2021	1,250,000	0.2	250
Issue of ordinary shares to vendors	21 July 2021	19,000,000	0.2	3,800
Less Capital raising costs		-	-	(4,726)
Notes converted to ordinary shares	21 July 2021	65,430,048	-	5,185
Balance	31 December 2021	<u>277,651,940</u>		<u>49,237</u>
Redeemable Convertible Preference shares				
Balance	1 July 2021	5,184,969	-	5,185
Notes converted to ordinary shares	NA	(5,184,969)	-	(5,185)
Balance	31 December 2021	<u>-</u>		<u>-</u>

Summary of shares issued to vendors

Details	Date	Shares	Issue price	\$'000
Ordinary shares				
MS Verdich	21 July 2021	5,000,000	0.2	1,000
CMB	21 July 2021	7,000,000	0.2	1,400
Troup	21 July 2021	5,000,000	0.2	1,000
J Wilson	21 July 2021	2,000,000	0.2	400
Total		<u>19,000,000</u>		<u>3,800</u>

Note 16. Equity - dividends

No dividends were paid during the financial half-year.

East 33 Limited
Notes to the financial statements
31 December 2021

Note 17. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 December 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Land and buildings	-	5,325	-	5,325
Intangible leases	-	12,575	-	12,575
Biological assets	-	12,600	-	12,600
Total assets	-	30,500	-	30,500
<i>Liabilities</i>				
Redeemable preference convertible shares class A	-	6,284	-	6,284
Redeemable preference convertible shares class B	-	2,612	-	2,612
Total liabilities	-	8,896	-	8,896

Consolidated - 30 Jun 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Land and buildings	-	4,384	-	4,384
Intangible leases	-	11,987	-	11,987
Biological assets	-	12,693	-	12,693
Total assets	-	29,063	-	29,063

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is derived through a combination of Monte Carlo simulations as well as discounting the remaining contractual maturities at the consolidated entity's marginal borrowing rate.

Valuation techniques for fair value measurements categorised within level 2 and level 3

The basis of the valuation of land and buildings is cost less accumulated depreciation except for land and buildings acquired under business combinations which are valued at fair value on acquisition in line with AASB3. The land and buildings acquired during the year were valued based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the valuation date. Valuations are based on current prices for similar properties in the same location and condition.

East 33 Limited
Notes to the financial statements
31 December 2021

Note 18. Business combinations

On 21 July 2021, East 33 Limited completed the acquisition of a 100% shareholding in CMB Seafoods Pty Ltd (a large oyster processing and distribution facility based in Sydney) for \$17.9 million and the Troup business (an oyster hatchery) for \$3.3 million.

In relation to the business acquisitions, the Group has performed a provisional assessment of the fair value of the assets and liabilities as at the date of the acquisition. For the purposes of the statement of financial position, the assets and liabilities have been recorded at their provisional fair values as at 31 December 2021. Under Australian Accounting Standards, the Group has up to 12 months from the date of acquisition to complete its initial acquisition accounting. The Group has already commenced this exercise to consider the fair value of intangible assets acquired. As at the date of this report, this assessment is not complete.

Details of the acquisitions under provisional accounting are as follows:

	CMB Fair value \$'000	Troup Fair value \$'000	Total Fair value \$'000
Trade and other receivables	1,228	-	1,228
Land and Buildings	366	700	1,066
Plant and equipment	495	503	998
Inventory and deposits	267	-	267
Biological Assets	-	501	501
Oyster and Crown leases	-	562	562
Trade and other payables	(670)	-	(670)
Net assets acquired	<u>1,686</u>	<u>2,266</u>	<u>3,952</u>
Goodwill (provisionally allocated)	<u>16,222</u>	<u>1,084</u>	<u>17,306</u>
Acquisition-date fair value of the total consideration transferred	<u><u>17,908</u></u>	<u><u>3,350</u></u>	<u><u>21,258</u></u>
	\$'000	\$'000	\$'000
Representing:			
Issue of ordinary shares at 0.2c each	1,400	1,000	2,400
Issue of redeemable convertible shares class A	3,500	-	3,500
Issue of redeemable convertible shares class B	2,100	-	2,100
Cash paid to vendor	10,100	1,000	11,100
Working capital adjustment	(452)	-	(452)
Vendor Balance payable	1,260	1,350	2,610
Total	<u><u>17,908</u></u>	<u><u>3,350</u></u>	<u><u>21,258</u></u>

Shares issued to Vendors

	CMB	Troup
Representing:		
Issue of ordinary shares at 0.2c each	7,000,000	5,000,000
Issue of redeemable convertible shares class A at \$1000 each	3,500	-
Issue of redeemable convertible shares class B at \$1000 each	2,100	-

Note 19. Share-based payments

During the current period the consolidated entity issued the following shares and performance rights as share-based payments:

- 19,000,000 shares to Vendors of MS Verdich Pty, J Wilson, CMB Seafoods Pty Ltd and AJ and JS Troup;
- 1,250,000 shares to directors; and
- 6,910,048 performance rights to director and advisors.

19,000,000 shares issued to Vendors of MS Verdich Pty, J Wilson, CMB Seafoods Pty Ltd and AJ and JS Troup were valued at the share price on the date the acquisitions completed being \$0.20 a share.

1,250,000 shares issued to directors were valued at the share price on grant date being \$0.20 a share.

The 6,910,048 performance rights issued to a director and advisors have the following vesting conditions

- Tranche 1 – 11.11% vest on achieving an EBIT of \$7.3m by 30 June 2022 and 11.11% vest on generating cash from operations of \$6.8m or more by 30 June 2022.
- Tranche 2 – 11.11% vest on achieving an EBIT of \$16m by 30 June 2023 and 11.11% vest on generating cash from operations of \$15m or more by 30 June 2023.
- Tranche 3 – 11.11% vest on achieving an EBIT of \$20m by 30 June 2024 and 11.11% vest on generating cash from operations of \$18m or more by 30 June 2024.
- Tranche 4 – 33.34% vest on achieving a share price of \$1 or more as measured by a 20 trading day VWAP by 30 June 2024

The non-market based vesting conditions performance rights were valued at the share price on grant date being \$0.20 a right. No vesting expense has been recorded for these rights in the period as it has not been deemed likely that the vesting conditions will be met.

The market based vesting conditions have been determined to have a 20% probability of being achieved and have been valued at \$0.04 per right. A vesting expense of \$15,353 has been recorded for these rights in the period.

Other non-cash equity transactions

During the period 75 million performance rights for nil consideration, were issued to directors under common control transactions.

The performance rights are to be exercised in tranches over three years, with the key performance terms being outlined below:

	30 June 2022	30 June 2023	30 June 2024
EBIT	\$7.3 m	\$16 m	\$20 m
Cash generated from operations	\$6.8 m	\$15 m	\$18 m
VWAP at 30 June 2024	NA	NA	1

Note 20. Reconciliation of cash paid to settle business acquisitions

	Vendor Finance \$'000	Business Acquisitions \$'000
Payment to settle Sciacca acquisition	2,345	-
Payment to settle Dent acquisition	10	-
Payment to settle MS Verdich and Sons acquisition	4,167	-
Payment to settle J Wilson acquisition	402	-
Payment to settle HR Browne acquisition	2,525	-
Payment to settle Diemar acquisition	276	-
Payment re CMB acquisition	-	10,100
Payment re Troup acquisition	-	1,000
Total	<u><u>9,725</u></u>	<u><u>11,100</u></u>

Note 21. Related Parties

Parent entity

East 33 Limited is the parent entity.

On 21 July 1.25 million shares were issued to incoming directors for a value of \$250,000.

Note 22. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Short-term employee benefits	553	420
Post-employment benefits	49	40
Share-based payments	15	-
	<u><u>617</u></u>	<u><u>464</u></u>

Note 23. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

East 33 Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



James Garton
Director

28 February 2022
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of East 33 Limited

Report on the Interim Report

Conclusion

We have reviewed the accompanying half-year financial report of East 33 Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of East 33 Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2022



B G McVeigh
Partner

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