

## Appendix 4D

### WELLARD LIMITED

ABN 53 607 708 190

## Half-Year Report

### Results for announcement to the market for the half-year ended 31 December 2022

The information that is required by the Australian Securities Exchange Listing Rules is as follows:

1. The reporting period is to 31 December 2022 and the previous corresponding period is to 31 December 2021.
2. Results for announcement to the market:

	Current period US\$'000	Change from prior period US\$'000	Change from prior period %
2.1 Revenues from ordinary activities	22,815	(389)	(1.7)
2.2 Loss from ordinary activities after tax attributable to members	(5,007)	(5,507)	(1101.4)
2.3 Net loss for the period attributable to members	(5,007)	(5,507)	(1101.4)
2.4 Dividends (distributions)	Nil	Nil	Nil

3. Net tangible assets per security:

	31 Dec 2022 US\$ cents	31 Dec 2021 US\$ cents
3.1 Net tangible assets per ordinary security	8.9	8.0

4. There were no entities over which control has been gained or lost during the period.
5. No dividends were paid during the period.
6. The Company does not have a dividend re-investment plan.
7. The Company does not have any associates or joint venture entities.

The reviewed financial statements for the half-year ended 31 December 2022 are attached to this Appendix 4D.





# WELLARD LIMITED

ABN 53 607 708 190

## INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2022



# Interim Financial Report

For the half-year ended 31 December 2022



## Directors' Report

The Board of Directors of Wellard Limited (the **Company** or, together with the entities it controls, the **Group**) submits its financial report in respect of the half-year ended 31 December 2022.

The Directors of the Company in office during the half-year and at the date of this report are:

Name	Position	Appointed
John Klepec	Executive Chairman	3 August 2018
Philip Clausius	Non-Executive Director	19 November 2015
Kanda Lu	Executive Director	12 May 2017
John Stevenson	Non-Executive Director	22 November 2019

The Company Secretary of the Company in office during the half-year and at the date of this report is Michael Silbert.

All amounts are presented in United States Dollars unless stated otherwise.

## Review and Results from Continuing Operations

FOR HALF-YEAR ENDED 31 DECEMBER (US\$' 000)	2022	2021	Movement
Revenue	22,815	23,204	(1.7%) ↓
Chartering <sup>1</sup>	22,787	23,116	(1.4%) ↓
Other revenue	28	88	(68.2%) ↓
Cost of sales	(19,785)	(14,809)	33.6% ↑
<b>Gross profit</b>	<b>3,030</b>	<b>8,395</b>	<b>(63.9%) ↓</b>
General and Administrative expenses	(2,063)	(2,134)	(3.3%) ↓
Other (losses)/gains from operating activities	(306)	3	(10300.0%) ↓
<b>EBITDA<sup>2</sup></b>	<b>661</b>	<b>6,264</b>	<b>(89.4%) ↓</b>
Other gains/(losses) from other activities	32	(226)	114.2% ↑
Depreciation and amortisation expenses	(5,210)	(5,078)	2.6% ↑
<b>EBIT</b>	<b>(4,517)</b>	<b>960</b>	<b>(570.5%) ↓</b>
Net finance costs	(133)	(457)	(70.9%) ↓
Income tax expense	(357)	(3)	11800% ↑
<b>(Loss)/profit from continuing operations after tax</b>	<b>(5,007)</b>	<b>500</b>	<b>(1101.4%) ↓</b>

### Profitability analysis

Gross Profit margin	%	13.3	36.2	(63.3%) ↓
Operating Profit margin	%	2.9	27.0	(89.3%) ↓
Interest coverage <sup>3</sup>	Times	5.0	13.7	(63.5%) ↓
Net operating cashflow	US\$m	1.3	2.1	(38.1%) ↓

### AS AT

### Balance Sheet analysis

		31 Dec 2022	30 June 2022	Movement
Current ratio	Times	2.5	2.2	13.6% ↑
Net tangible assets	US\$m	47.4	52.4	(9.5%) ↓
Net tangible assets per security (US\$)	Cps	8.9	9.9	(10.1%) ↓
Negative Net Debt <sup>4</sup>	US\$m	(6.3)	(7.5)	(16.0%) ↓
Debt to capital ratio <sup>5</sup>	%	5.7	12.6	(54.8%) ↓
Ship loan to asset book value ratio	%	3.7	13.6	(72.8%) ↓

<sup>1</sup> Chartering revenue refers to external chartering activity and excludes revenue arising from intercompany transactions.

<sup>2</sup> EBITDA equals profit/(loss) from continuing operations before income tax, depreciation and amortisation expenses, net finance costs, other gains/(losses) arising from other activities and impairment expenses.

<sup>3</sup> Interest coverage equals EBITDA divided by net finance costs.

<sup>4</sup> Net debt equals loans and borrowings less cash and cash equivalents. A negative net debt indicates that the cash and cash equivalents exceed the entire debt balance.

<sup>5</sup> Debt to capital ratio equals loans and borrowings divided by total equity plus loans and borrowings.

# Interim Financial Report

For the half-year ended 31 December 2022



## Financial Review

Unless otherwise stated, all amounts in this Interim Financial Report are presented in US\$ whilst all comparisons are in relation to the previous corresponding period ("PCP").

For the half-year ended 31 December 2022 ("H1 FY23"), Wellard is reporting a net loss after tax of US\$5.0 million (H1 FY22: net profit after tax of US\$0.5 million) amid extremely difficult market conditions including Australia's tight cattle supply, high prices, that for the whole calendar year 2022 ("CY22") remained above the 5 and 10-year averages, and the unprecedented simultaneous and significant outbreaks of foot-and-mouth disease ("FMD") and lumpy skin disease ("LSD") in Indonesia, which have greatly impacted Indonesian importers. Other factors that impacted on Wellard's half-year results included the significant global economic and geo-political challenges such as rising global inflation (from 4.7% in 2021 to 8.8% in 2022), the ongoing Russo-Ukrainian conflict and the COVID-19 pandemic, all of which have had a profound effect on energy prices and shook consumer confidence in Wellard's export markets.

The result includes a non-cash depreciation and amortisation expense of US\$5.2 million (H1 FY22: US\$5.1 million), primarily relating to the depreciation of two of the Group's vessels (M/V Ocean Ute and M/V Ocean Drover) and including the depreciation of right-of-use assets (including the M/V Ocean Swagman) amounting to US\$1.4 million (H1 FY22: US\$1.3 million) arising from the application of AASB16 'Leases' from 1 July 2019.

Unfortunately, despite a modest 1.7% revenue decrease to US\$22.8 million (H1 FY22: US\$23.2 million), the cost of sales recorded a sharp increase of 33.6% to US\$19.8 million (H1 FY22: US\$14.8 million). In particular, marine fuel (bunker) expenses recorded a significant increase of 55.3% to US\$11.8 million (H1 FY22: US\$7.6 million), followed by a 40.0% surge in port costs to US\$1.4 million (H1 FY22: US\$1.0 million) and 6.7% increase in our vessels' operating expenses (OPEX) – mainly consisting of crew wages, insurance, repair and maintenance costs, and other operating expenses – to US\$6.4 million (H1 FY22: US\$6.0 million). In H1 FY23, external chartering activities absorbed the total shipping capacity and represented 99.9% of the Group's revenue (H1 FY22: 99.6%).

Although the percentage of technical off-hire days in H1 FY23 (8.6% or 47.6 days) was nearly double compared to H1 FY22 (4.9% or 27.1 days), it included 34.9 days for the M/V Ocean Ute while she underwent a mandatory dry-dock for her special survey class renewal. Excluding the dry dock, Wellard's vessels recorded a cumulative 12.7 technical off-hire days out of 552 available days during H1 FY23, compared to a cumulative 27.1 off-hire days out of the 552 available days in H1 FY22, confirming the excellent condition of Wellard's fleet. Nonetheless, despite good fleet technical and operational management, the previously mentioned dramatic increase in the cost of sales, combined with an unprecedented combination of challenging market and global conditions, reduced the Gross Profit margin to 13.3% (H1 FY22: 36.2%).

In the first six months of FY2023, general and administrative expenses decreased by 3.3% to US\$2.1 million, while other losses from operating activities of US\$0.3 million refer to the impairment of trade receivables that are expected to be uncollectible in relation to a customer that was placed into liquidation.

As a result of the increased costs impacting Wellard's operations and financial results, EBITDA from continuing operations – defined as earnings from continuing operations before the impact of income tax, depreciation and amortisation expenses, finance costs and excluding other gains or losses from other activities and impairment expenses – fell by US\$5.6 million or 89.4% to US\$0.7 million (H1 FY22: US\$6.3 million) resulting in an 89.3% decrease in operating profit margin to 2.9% (H1 FY22: 27.0%).

Depreciation and amortisation expenses recorded a minor 2.6% increase to US\$5.2 million (H1 FY22: US\$5.1 million), while net finance costs recorded a further reduction of 70.9% or US\$0.3 million in the first six months, falling to US\$0.1 million (H1 FY22: US\$0.5 million), which helped to maintain a healthy interest coverage ratio of 5.0 times (H1 FY22: 13.7 times).

As of 31 December 2022, the Company has a "negative net debt" position – hence, cash available for the Company – of US\$6.3 million (30 June 2022: negative net debt of US\$7.5 million) and US\$9.6 million working capital (30 June 2022: US\$11.7 million) recording a decrease of US\$1.2 million and US\$2.1 million respectively.

The continued focus on capital efficiency resulted in a further reduction in Group debt levels as a proportion of funding. As of 31 December 2022, total debt represented 5.7% of the Group's funding (30 June 2022: 12.6%), while total ship debt represented 3.7% of the book value of the Group's shipping assets (30 June 2022: 13.6%).

# Interim Financial Report

For the half-year ended 31 December 2022



## Financial Review (continued)

At the completion of the half-year, Wellard had cash and cash equivalents of US\$9.2 million (30 June 2022: US\$15.3 million) and the Group maintains a US\$4.0 million trade facility with a financial institution in Singapore to fund ship operating costs and foreign-exchange transactions, which as of 31 December 2022, was utilised for US\$1.3 million. Wellard also retains a US\$19.1 million facility with the same institution to be used for commodity swaps to hedge against bunker price swings which was not utilised as of 31 December 2022, nor was it on 30 June 2022.

In August 2022, Wellard announced the completion of the repurchase of its vessel, the M/V Ocean Ute – which was previously owned by Ruchira Ships Limited under sale-and-leaseback arrangements – and that no further payments were due to Ruchira between now and the title transfer date of the M/V Ocean Drover, which remains scheduled for 30 June 2023.

The Group made all payments due under its working capital facility, ship financing facilities and lease agreements during the reporting period. The Group maintains a good working relationship with all financiers and fully complies with all of its financial covenants.

## Operational Review

In respect of the safety of our people, Wellard again had zero Medically Treated Injuries and zero Lost Time Injuries during the H1 FY23, building on the zero result achieved for each during FY2022.

During H1 FY23, Wellard loaded 12 cattle voyages to the following destinations:

Loaded	Discharged	H1 FY23	H1 FY22
Australia	Southeast Asia	4	3
New Zealand	North Asia	3	4
Australia	North Asia	4	2
Australia & New Zealand	North Asia	1	-
South America	North Asia	-	2
<b>Total</b>		<b>12</b>	<b>11</b>

There were no reportable livestock mortality incidents aboard Wellard vessels in the reporting period, as has been the case since 2017. Total voyages for the period yielded a delivery success rate of 99.95%, delivering 67,260 animals.

This was an 18.2% reduction on the 82,249 cattle shipped in the prior corresponding period.

The fact that Wellard performed an additional voyage compared to H1 FY22 but the number of animals shipped fell by 18.2% is an indicator of the tough trading period, but also of several 'high value lower stocking density' voyages.

There was no significant change to voyage source and customer markets from a year earlier, except for a reduction in South American voyages and a small shift from New Zealand to Australia for breeding heifer voyages.

Wellard did not perform any South American voyages in H1 FY23, compared to two South American voyages performed in H1 FY22, though Wellard remains hopeful there will be future demand for voyages emanating from this market.

The export cattle trade to Indonesia in the middle of the year (end FY2022 and start FY2023) was impacted by the outbreak of lumpy skin disease ("LSD") and foot and mouth disease ("FMD") in Indonesia. Many importers were reluctant to commit to large orders of high-priced cattle (420-520c/kg throughout H1 FY23<sup>6</sup>), fearing their feedlots may become infected with the disease, slashing the value of their cattle on-feed, and in some circumstances, requiring the expensive euthanising of infected lotfed cattle by authorities in an attempt to prevent further spread. Australia has contributed significantly to an in-country programme in Indonesia to deliver FMD vaccines, and it is hoped that this will assist in the recovery of the market.

<sup>6</sup> Source: Beef Central Live Export prices

# Interim Financial Report

For the half-year ended 31 December 2022



## Operational Review (continued)

As noted in Wellard's FY2022 outlook for FY2023, some of Wellard's vessels were without charters during Q1 FY23. Ship utilisation did improve into Q2, but softened again late in Q2 FY23 in a period of high volatility as the fall in cattle prices rebounded to previous highs and FMD outbreaks in Indonesia leading to large inventories of processed stock. These needed to be cleared before import permits were issued for Australian cattle, with several planned Wellard shipments not proceeding.

So, in addition to total exports of Australian cattle to Indonesia reducing marginally from 179,900 head in H1 FY22 to 174,102 head in H1 FY23<sup>7</sup>, smaller vessels – Wellard's ships are mid and large-sized – were in greater demand to meet this changed market dynamic as exporters and importers sought to reduce their commercial risks. Wellard's voyages to Indonesia were sometimes performed for strategic reasons.

Total Australian cattle exports to Vietnam fell, but for different reasons. Just 38,076 cattle were shipped from Australia to Vietnam in H1 FY23, compared to 70,455 cattle shipped in the prior corresponding period. This was largely due to the high prices for slaughtered cattle being paid by Australian processors, which rendered Australian cattle exports to Vietnam uneconomic.

In contrast, total Australian breeder cattle exports to North Asia almost doubled from a low 38,478 breeder cattle in H1 FY22 to 76,526 breeder cattle in H1 FY23. This is reflected in Wellard's voyage origination/destinations, and was higher than in H1 FY21 when 62,051 breeder cattle were shipped from Australia.

Sheep exports from Australia did grow marginally, from 189,603 head in H1 FY22 to 211,262 head in H1 FY23. However, this market remains very flat with high Australian sheep prices and poor availability prompting only periodic shipments from vertically integrated exporters. As with recent periods, Wellard did not perform any sheep charters to the Middle East.

As per past reports, international livestock export and import figures are difficult to source, and there is no aggregated, official international reporting of these statistics. Wellard's own livestock fleet monitoring indicates that the export of cattle from South America to the Middle East and North Africa was sporadic in the reporting period.

Notably, at a macro level in H1 FY23 Wellard's total number of voyages, total Australian cattle exports and, consequently, Wellard revenue, were all very similar to H1 FY22.

	H1 FY23	H1 FY22	Variation	% change
Wellard # voyages	12	11	+1	+9.1%
Wellard cattle transported	67,260	82,249	-14,989	-18.2%
Australia cattle exports	322,700 head	334,417 head	-11,717	-3.5%
Wellard revenues	US\$22.8m	US\$23.2m	-US\$0.4m	-1.7%

As noted in the earlier financial report, the fall in EBITDA and NPAT for H1 FY23 were therefore a consequence of higher cost of sales, principally fuel (bunker) prices. Wellard's cost of sales in H1 FY23 increased by US\$5.0 million compared to the prior corresponding period, with the fuel cost increase accounting for US\$4.2 million (H1 FY23: US\$11.8 million vs H1 FY22: US\$7.6 million) of the US\$5.0 million increase.

Normally Wellard passes on fuel price fluctuations through the freight rates paid by its customers. However, with exporters suffering either losses or tight margins themselves, Wellard's ability to pass on increased bunker prices was compromised in H1 FY23 (as well as in H2 FY22), creating the imbalance between increasing costs and stagnating revenue, which impacted the Company's EBITDA and NPAT.

Importantly, fuel prices began to trend lower throughout H1 FY23. The Singapore Very Low Sulphur Fuel Oil (VLSFO), began H1 FY23 at around US\$1,100 per metric tonne (mt) and fell to just above US\$600/mt at the end of December 2022, with similar trends recorded in the other ports on Wellard routes. However, prices still remain high by historical standards. For comparison, the average VLSFO price, with delivery in Singapore in the calendar year 2021 and 2022, were US\$370/mt and US\$528/mt, respectively.

<sup>7</sup> [https://www.agriculture.gov.au/sites/default/files/documents/all-livestock-exports-2017-2022\\_2.xlsx](https://www.agriculture.gov.au/sites/default/files/documents/all-livestock-exports-2017-2022_2.xlsx)

## Operational Review (continued)

Animal welfare remains of crucial importance to Wellard so that every animal in our care is managed to the highest standards. Given our larger-than-average purpose-built vessels, our expert crew, and our rigorous emphasis on high standards of care, we continue to demonstrate that we can provide superior conditions for the transport of livestock to destination markets.

Wellard continues to campaign for higher regulatory shipping standards to minimise the chances of adverse events from occurring in the industry, and therefore improving the long-term sustainability of the live export trade in countries that produce livestock which are surplus to their domestic consumption requirements.

The difficult market conditions have the potential to stimulate overdue livestock ship rationalisation across the international livestock fleet. Cattle Line Two, which owns competitor vessels the M/V Barkly Pearl and M/V Diamantina, has had liquidators appointed; and the M/V Yangtze Fortune and M/V Yangtze Harmony, also competitor vessels have been seized, with one being auctioned over unpaid bills and wages after abandonment by its owners. Whether this leads to scrapping of ships and a reduction in the excess shipping supply is not yet apparent.

## Outlook

The outlook for H2 FY23 remains mixed. The tough trading conditions experienced at the end of Q2 FY23 have prevailed into Q3 and may extend into the start of Q4 when the supply of cattle post-northern wet season will increase.

The key Indonesian market is at a critical juncture following the longest period of sustained high prices for the livestock export industry. There is expected to be greater competition against Australian cattle imports from Brazil this year, with a further 11 processing plants in Brazil now approved to export packaged beef to Indonesia. This is in addition to frozen Indian Buffalo Meat (IBM) imports, all of which compete against beef from imported Australian cattle. At the start of February, Indonesia's food procurement agency (Bulog) announced plans to import 100,000 tonnes of water buffalo meat in 2023. This a similar level to 2022 IBM imports, when it provided significant marketplace competition to Australian beef from imported cattle.

The ongoing trade from Australia is dependent on the landed price which needs to change trend and revert to previous year levels to be a viable proposition in 2023, as many market participants – other than Producers – have either ceased operating or sustained significant financial losses. Young cattle prices in Australia dropped by almost 25 per cent between mid-November 2022 and mid-January 2023. However, live export steer prices had resisted that trend in late CY22, but did fall ~15% in early calendar year 2023 ("CY23")<sup>8</sup>, albeit on very small numbers.

As high Australian cattle prices have been a significant impediment to purchasing activity by Indonesian and Vietnamese importers, the continuation of this change in trend is the key determinant of live export activity and therefore charter demand for Wellard vessels from northern Australian ports when cattle availability increases in Q4 FY23.

The Meat and Livestock Australia Beef Industry Projections released earlier this month noted that the national herd is now at its highest level since 2014 at 28.8 million head and forecast that live cattle exports would grow marginally in CY23, up 3% to 619,000 head for the calendar year. In its report MLA noted that CY22 live export levels were the lowest in 10 years.

MLA has forecast cattle slaughter will increase by almost 8% in CY23, but notably added that if abattoirs could not secure increased labour, then slaughter rates would flatline at CY22 levels. Traditionally the live export market has enabled the efficient clearing of any excess stock, however the ability of importers of Australian cattle to absorb increases in supply is somewhat limited (as noted above).

Historically and logically, as the herd size increases to a point where it transitions from a rebuild to either consolidation or liquidation, there is a corresponding increase in turnoff, whether to slaughter or live export. When that turnoff exceeds abattoir capacity, and dry weather can exacerbate that trend along with abattoir capacity constraints (eg. logistics, labour, etc), the live export market has enabled the efficient clearing of excess stock with increased activity levels in the export and shipping sectors.

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<sup>8</sup> Beef Central Live export feeder steer price ex Darwin

# Interim Financial Report

For the half-year ended 31 December 2022



## Outlook (continued)

The key determinant of whether that trend is again replicated over the next 12 months will be the price response to the changed supply/demand fundamentals, and whether prices reduce to the levels required to entice importers to increase or recommence purchases of Australian feeder and slaughter cattle.

As per our previous market outlook in 2022, it remains Wellard's view that post the 2023 wet season supplies to the live export market will increase and will lead to a more competitive proposition for overseas cattle importers to increase purchasing activity. Until that occurs, the Q3 FY23 ship utilisation is poor with both the M/V Ocean Ute and M/V Ocean Swagman unemployed at the date of this report.

At the beginning of February, the M/V Ocean Swagman experienced starboard engine failure after discharging cargo in China, and the extent and cost of the repairs required are not fully known at the date of this report. There were no livestock onboard and no injuries to crew or personnel. The affected engine will undergo expert appraisal in Korea and likely undergo repair in Singapore. After payment of relevant deductibles, the costs of repair are likely to be met by insurances. Early estimates are that the vessel will return to service in Q4 FY23.

Following the temporary increased activity prior to the New Zealand export ban coming into effect on the 30 April 2023, breeder dairy cattle exports to North Asia are expected to stabilise in H2 FY23. Reports from China indicate that many large dairies have increased imports prior to the New Zealand ban and are absorbing these into their operations.

The New Zealand ban on live exports comes into force on 30 April 2023. As the deadline approaches, exporters are expected to grow increasingly nervous about contracting cattle for export, as any unforeseen delays could have significant to existential impacts on their business if they miss the export deadline. Sourcing cattle from Australia is therefore considered a safer option.

The resignation of Prime Minister Jacinta Ardern, who was a large driver of the New Zealand live export ban, has provided the New Zealand export industry with some hope that the ban will be shortlived.

Representatives of the National Party, which is currently in opposition but is leading in key opinion polls, voted against the ban, describing the New Zealand Labour Government's response as "disproportionate", instead favouring the implementation of a so-called "gold standard" which would provide important animal welfare safeguards while allowing the economically important trade to continue. The National Party's animal welfare spokesperson stated in numerous media interviews that a National Government would review the ban if it was elected. The New Zealand election is set for 14 October 2023.

As per previous forecasts, Wellard expects little activity in the live sheep sector in the short-term and therefore believes it is unlikely that any of its vessels will embark on a Middle East sheep voyage in the next six months.

Finally, on the cost side of the equation, although bunker prices continued to trend downwards in H1 FY23, they have bounced around in January/February 2023, making forecasts difficult. Any reduction will improve Wellard's cost base and, if the trend continues, offset low charter rates for livestock vessels.

## Rounding of Amounts

Wellard is an entity of the kind specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that legislative instrument, amounts in the interim financial report and Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise. All amounts are in United States Dollar only, unless otherwise stated.



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## 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 on page 9.

This report has been made in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read "John Klepec".

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John Klepec  
**Executive Chairman**

A handwritten signature in blue ink, appearing to read "Paolo Triglia".

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Paolo Triglia  
**Group Chief Financial Officer**

Date: 16 February 2023



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## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF WELLARD LIMITED

As auditor for the review of Wellard Limited and its subsidiaries for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements as set out in *the Corporations Act 2001* in relation to the review, and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



NEIL PACE  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth on the 16<sup>th</sup> day of February 2023.

## Condensed Consolidated Statement of Comprehensive Income

For half-year ended	Note	31 Dec 2022 US\$'000	31 Dec 2021 US\$'000
<b>Continuing operations</b>			
Revenue	2	22,815	23,204
Cost of sales	3(a)	(19,785)	(14,809)
<b>Gross profit</b>		<b>3,030</b>	<b>8,395</b>
Other losses	3(b)	(274)	(223)
Net finance costs	3(c)	(133)	(457)
Depreciation and amortisation expenses		(5,210)	(5,078)
General and administrative expenses	3(d)	(2,063)	(2,134)
<b>(Loss)/Profit from continuing operations before income tax</b>		<b>(4,650)</b>	<b>503</b>
Income tax expenses		(357)	(3)
<b>(Loss)/Profit for the period after tax</b>		<b>(5,007)</b>	<b>500</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
(Loss)/gain from foreign currency translation		(78)	77
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(78)</b>	<b>77</b>
<b>Total comprehensive (loss)/ income for the period</b>		<b>(5,085)</b>	<b>577</b>
		<b>Cents</b>	<b>Cents</b>
<b>(Loss)/earnings per share from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic (loss)/ earnings per share		(0.94)	0.09
Diluted (loss)/ earnings per share		(0.94)	0.09

The accompanying notes form an integral part of this condensed consolidated statement of comprehensive income.



## Condensed Consolidated Statement of Financial Position

	Note	31 Dec 2022 US\$'000	30 Jun 2022 US\$'000
<b>Current assets</b>			
Cash and cash equivalents		9,195	15,279
Trade and other receivables		994	1,132
Inventories		3,021	3,631
Contract assets		403	545
Other assets		2,359	980
<b>Total current assets</b>		<b>15,972</b>	<b>21,567</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	37,747	40,747
Intangible assets	8	1,005	1,158
Other assets		65	63
<b>Total non-current assets</b>		<b>38,817</b>	<b>41,968</b>
<b>Total assets</b>		<b>54,789</b>	<b>63,535</b>
<b>Current liabilities</b>			
Trade and other payables		3,155	1,976
Loans and borrowings	6	2,919	7,652
Provisions		75	79
Contract liabilities		175	200
<b>Total current liabilities</b>		<b>6,324</b>	<b>9,907</b>
<b>Non-current liabilities</b>			
Loans and borrowings	6	1	86
Provisions		27	20
<b>Total non-current liabilities</b>		<b>28</b>	<b>106</b>
<b>Total liabilities</b>		<b>6,352</b>	<b>10,013</b>
<b>Net assets</b>		<b>48,437</b>	<b>53,522</b>
<b>Equity</b>			
Issued capital	5	412,259	412,259
Reserves		(277,026)	(276,948)
Accumulated losses		(86,796)	(81,789)
<b>Total equity</b>		<b>48,437</b>	<b>53,522</b>

The accompanying notes form an integral part of this condensed consolidated statement of financial position.

# Interim Financial Report

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## Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners					
	Issued capital	Accumulated losses	Share based payments reserve	Other reserves	Common control reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 July 2021</b>	<b>412,259</b>	<b>(91,722)</b>	<b>12,963</b>	<b>5,650</b>	<b>(295,768)</b>	<b>43,382</b>
Profit for the period	-	500	-	-	-	500
Other comprehensive income	-	-	-	77	-	77
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>77</b>	<b>-</b>	<b>577</b>
<b>Balance at 31 December 2021</b>	<b>412,259</b>	<b>(91,222)</b>	<b>12,963</b>	<b>5,727</b>	<b>(295,768)</b>	<b>43,959</b>
<b>Balance at 1 July 2022</b>	<b>412,259</b>	<b>(81,789)</b>	<b>12,963</b>	<b>5,857</b>	<b>(295,768)</b>	<b>53,522</b>
Loss for the period	-	(5,007)	-	-	-	(5,007)
Other comprehensive loss	-	-	-	(78)	-	(78)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(5,007)</b>	<b>-</b>	<b>(78)</b>	<b>-</b>	<b>(5,085)</b>
<b>Balance at 31 December 2022</b>	<b>412,259</b>	<b>(86,796)</b>	<b>12,963</b>	<b>5,779</b>	<b>(295,768)</b>	<b>48,437</b>

The accompanying notes form an integral part of this condensed consolidated statement of changes in equity

## Condensed Consolidated Statement of Cash Flows

For half-year ended	31 Dec 2022 US\$'000	31 Dec 2021 US\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	22,572	20,754
Payments to suppliers and employees	(21,240)	(18,688)
Interest received	-	6
Net income tax paid	-	(3)
<b>Net cash inflow from operating activities</b>	<b>1,332</b>	<b>2,069</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(2,331)	(549)
<b>Net cash outflow from investing activities</b>	<b>(2,331)</b>	<b>(549)</b>
<b>Cash flows from financing activities</b>		
Principal repayment of lease liabilities	(1,414)	(1,273)
Net repayments of borrowings	(3,478)	(2,063)
Interest paid	(145)	(451)
<b>Net outflow from financing activities</b>	<b>(5,037)</b>	<b>(3,787)</b>
Net decrease in cash held	(6,036)	(2,267)
Cash at the beginning of the financial period	15,279	6,736
Effects of exchange rate changes on cash and cash equivalents	(48)	(23)
<b>Cash at the end of the financial period</b>	<b>9,195</b>	<b>4,446</b>

The accompanying notes form an integral part of this condensed consolidated statement of cash flows.



## Condensed Consolidated Statement of Cash Flows (continued)

### Reconciliation of net (loss)/profit after tax to net cash flows from operating activities

	31 Dec 2022 US\$'000	31 Dec 2021 US\$'000
(Loss)/Profit after tax	(5,007)	500
<i>Adjustments for:</i>		
Depreciation and amortisation	5,210	5,078
Allowance/(reversal) for impairment loss	306	(3)
Interest income	(16)	(6)
Income tax expense	357	3
Interest expense	149	463
Unrealised foreign exchange (gains)/losses	(14)	161
<i>Changes in assets and liabilities, net of the effects of purchase and of subsidiaries</i>		
Change in trade and other receivables, contract assets and other current assets	(1,399)	(2,977)
Change in inventories	610	(593)
Change in trade and other payables	1,158	338
Change in contract liabilities	(25)	(932)
Change in provisions	3	34
	<b>1,332</b>	<b>2,066</b>
Interest received	-	6
Income tax paid	-	(3)
<b>Net cash flows from operating activities</b>	<b>1,332</b>	<b>2,069</b>

The accompanying notes form an integral part of this condensed consolidated statement of cash flows.

## Notes to the Condensed Consolidated Interim Financial Statements

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# Notes to the consolidated financial statements

## 1. Corporate information and basis of preparation

### (a) Corporate information

Wellard Limited (**Wellard** or the **Company**) is an Australian Securities Exchange (**ASX**) company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purpose of preparing the financial statements.

The condensed financial statements for the consolidated entity which consists of Wellard and its subsidiaries (together referred to as the **Group**) for the half-year ended 31 December 2022 were authorised for issue by the board of directors on 16 February 2023.

### (b) Basis of preparation

This interim financial report for the half-year ended 31 December 2022 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in the annual financial report. It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Wellard Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Listing Rules of the ASX and the Corporations Act 2001.

The accounting policies adopted are consistent with those of the most recent annual financial report and corresponding interim reporting period.

### (c) Critical accounting estimates and judgements

When preparing the interim financial report, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by the management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial report, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial report for the year ended 30 June 2022.

## 2. Revenue

	31 Dec 2022 US\$'000	31 Dec 2021 US\$'000
<b>Revenue</b>		
Chartering	22,787	23,116
Other revenue	28	88
	<b>22,815</b>	<b>23,204</b>

## 3. Expenses

	31 Dec 2022 US\$'000	31 Dec 2021 US\$'000
<b>(a) Cost of sales</b>		
Chartering	19,785	14,830
Others	-	(21)
	<b>19,785</b>	<b>14,809</b>



# Notes to the consolidated financial statements

## 3. Expenses (continued)

	31 Dec 2022 US\$'000	31 Dec 2021 US\$'000
<b>(b) Other losses</b>		
<i>Losses/(gains) arising from operating activities</i>		
Bad and doubtful debts expenses/(recovered)	306	(3)
<i>(Gains)/losses arising from other activities</i>		
Net foreign exchange (gains)/losses	(32)	203
Restructuring and integration costs	-	23
	<b>274</b>	<b>223</b>
<b>(c) Net finance costs</b>		
Interest income	(16)	(6)
Interest expense	149	463
	<b>133</b>	<b>457</b>
<b>(d) General and administrative expenses</b>		
Consulting expenses	306	385
Occupancy costs	35	39
General and administrative costs	301	242
Travel expenses	86	11
Labour expenses	1,288	1,421
Motor vehicle expenses	47	36
	<b>2,063</b>	<b>2,134</b>

## 4. Segment information

Segment information is presented based on the information reviewed by senior management for performance measurement and resource allocation.

Description of segments and principal activities

- a) **Chartering:** This segment is engaged in the business of livestock transportation required to deliver livestock globally. In the table below, this segment is further reported as charter revenue, being revenue generated from the sale of space on the Group's vessels for the carriage of cargo owned by third parties.
- b) **Other segments:** This segment consists of trading and corporate services. Trading refers to the business of livestock marketing, buying livestock from multiple sources for export to buyers in international markets globally. Although Wellard retains its Australian livestock export licenses and capabilities, trading activity has reduced since July 2019 and is now very marginal. Wellard did not trade any livestock as a principal during the half-year ended 31 December 2022. Corporate services consist of a centralised support function that provides specialised services across several disciplines to the rest of the Group, including human resources, finance and payroll, information technology and communication, operational and safety services, legal and compliance services and support for the board of directors.

These classifications are in accordance with AASB 8 *Operating Segments* guidelines.

Management primarily uses a measure of statutory net profit / (loss) before income tax to assess the performance of the operating segments. However, management also receives financial information about segment revenue, EBITDA, interest expense, assets and liabilities on a monthly basis.

# Notes to the consolidated financial statements

## 4. Segment information (continued)

	Chartering US\$'000	Others US\$'000	Total US\$'000
<b>Half-year ended 31 December 2022</b>			
Revenue	22,787	28	22,815
Depreciation and amortisation expenses	(5,026)	(184)	(5,210)
Net finance costs	(133)	-	(133)
Loss from continuing operations before income tax	(3,356)	(1,294)	(4,650)
<b>Total segment assets</b>	<b>49,966</b>	<b>4,823</b>	<b>54,789</b>
<b>Total segment liabilities</b>	<b>5,946</b>	<b>406</b>	<b>6,352</b>
<b>Half-year ended 31 December 2021</b>			
Revenue	23,116	88	23,204
Depreciation and amortisation expenses	(4,897)	(181)	(5,078)
Net finance costs	(456)	(1)	(457)
Profit/(loss) from continuing operations before income tax	2,069	(1,566)	503
<b>Total segment assets</b>	<b>54,685</b>	<b>2,968</b>	<b>57,653</b>
<b>Total segment liabilities</b>	<b>13,176</b>	<b>518</b>	<b>13,694</b>

## 5. Issued capital

As at 31 December 2022, the share capital of Wellard amounting to 531,250,312 (30 June 2022: 531,250,312) ordinary shares issued and fully paid. Issued share capital consists of ordinary shares only, with equal voting rights. Ordinary shares have no par value. Ordinary shares entitle the holder to participate in dividends and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

No shares were issued during the reporting period.

	31 Dec 2022 US\$'000	30 Jun 2022 US\$'000
<b>Issued Capital</b>		
At the beginning and end of reporting period	412,259	412,259

# Notes to the consolidated financial statements

## 6. Loans and borrowings

	31 Dec 2022 US\$'000	30 Jun 2022 US\$'000
<b>Current</b>		
Secured borrowings	-	2,845
Unsecured lease liabilities	1,588	2,843
Other loan	1,331	1,964
<b>Total current</b>	<b>2,919</b>	<b>7,652</b>
<b>Non-current</b>		
Unsecured lease liabilities	1	86
<b>Total non-current</b>	<b>1</b>	<b>86</b>
<b>Total loans and borrowings</b>	<b>2,920</b>	<b>7,738</b>

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Terms and conditions of outstanding loans were as follows:

Name	Currency	Financial Year of Maturity	31 Dec 2022 US\$'000	30 Jun 2022 US\$'000
Secured borrowings	USD	2023	-	878
Secured borrowings	USD	2023	-	1,967
Unsecured lease liabilities	USD	2023	1,403	2,656
Unsecured lease liabilities	SGD	2024	175	248
Unsecured lease liabilities	AUD	2023	11	25
Other loan	USD	2023	1,331	1,964
			<b>2,920</b>	<b>7,738</b>

On 8 July 2022, Wellard paid all remaining balances (US\$2.8 million) to Ruchira. There will be no further payments to Ruchira between now and the title transfer date of the M/V Ocean Drover, which remains scheduled for 30 June 2023.

On 19 August 2022, Wellard subsidiary, Niuyang Express Pte Ltd completed the repurchase of the M/V Ocean Ute, and that vessel is now owned unencumbered by Wellard. The underlying bareboat charter agreement of this vessel from Ruchira was also cancelled, as the vessel is now operated by Wellard as principal.

# Notes to the consolidated financial statements

## 7. Property, plant and equipment

	Improvements US\$'000	Plant and equipment US\$'000	Right-of-use assets US\$'000	Total US\$'000
<b>Half-year ended 31 December 2022</b>				
Opening net book amount	81	37,886	2,780	40,747
Additions	2	1,997	75	2,074
Foreign exchange revaluation	(1)	(1)	(1)	(3)
Depreciation expense	(29)	(3,681)	(1,361)	(5,071)
<b>Closing net book amount</b>	<b>53</b>	<b>36,201</b>	<b>1,493</b>	<b>37,747</b>
Cost	539	110,159	9,981	120,679
Accumulated depreciation and impairment	(486)	(73,958)	(8,488)	(82,932)
<b>Net book amount</b>	<b>53</b>	<b>36,201</b>	<b>1,493</b>	<b>37,747</b>
<b>Year ended 30 June 2022</b>				
Opening net book amount	75	43,973	5,249	49,297
Additions	71	1,448	177	1,696
Foreign exchange revaluation	(3)	(9)	(2)	(14)
Depreciation expense	(62)	(7,526)	(2,644)	(10,232)
<b>Closing net book amount</b>	<b>81</b>	<b>37,886</b>	<b>2,780</b>	<b>40,747</b>
Cost	538	110,217	9,930	120,685
Accumulated depreciation and impairment	(457)	(72,331)	(7,150)	(79,938)
<b>Net book amount</b>	<b>81</b>	<b>37,886</b>	<b>2,780</b>	<b>40,747</b>

There is no property, plant and equipment pledged as security for the liabilities as disclosed in Note 6 (30 June 2022: US\$36,735,094).



# Notes to the consolidated financial statements

## 8. Intangible assets

	Half year ended 31 Dec 2022 US\$'000	Year ended 30 Jun 2022 US\$'000
<b>Software</b>		
Opening net book amount	1,158	1,574
Additions	-	-
Foreign exchange revaluation	(14)	(116)
Amortisation expense	(139)	(300)
<b>Closing net book amount</b>	<b>1,005</b>	<b>1,158</b>
Cost	2,753	2,782
Accumulated amortisation	(1,748)	(1,624)
<b>Net book amount</b>	<b>1,005</b>	<b>1,158</b>

Software includes amounts spent on the implementation of an enterprise resource planning system since the selection phase was concluded and has been in use since May 2016. Software is amortised over ten years.

## 9. Related party transactions

All transactions with related parties are recorded on an arms-length basis at commercial terms and conditions.

Transport Capital Pte Ltd, a shipping-focused investment management and advisory firm, of which Wellard's Non-Executive Director Mr Philip Clausius is the founder and Managing Partner, provided technical services to the Group during August 2022. The service included an on-site visit to the M/V Ocean Ute while she was dry-docked in Singapore. During the six months ended 31 December 2022, the technical service fee rendered and paid to this related party by the Group was US\$1,777 (31 December 2021: US\$11,124).

## 10. Subsequent events

On 10 February 2023, the M/V Ocean Swagman experienced starboard engine failure after discharging cargo in China, and the extent and cost of the repairs required are not fully known at the date of this report. There were no livestock onboard and no injuries to crew or personnel. The affected engine will undergo expert appraisal in Korea and likely undergo repair in Singapore. After payment of relevant deductibles, the costs of repair are likely to be met by insurances. Early estimates are that the vessel will return to service in Q4 FY23.

## 11. Contingent assets and liabilities

In October 2017, Wellard Ships entered into a charter agreement with Alpha Commodities S.A ("Alpha") for the vessel M/V Ocean Shearer, and non-refundable deposits of US\$2.0 million were received. Alpha subsequently defaulted on the remainder of its charter obligations, and the voyages the subject of the charter did not proceed. In January 2021, the Company obtained a judgment in the U.K. High Court proceedings against Alpha in the amount of US\$10,380,722.93 plus interest and costs. Investigations into Alpha assets in Brazil have been disappointing. Wellard has not been able to identify Alpha as being an entity with any financial substance in Brazil or elsewhere, and cannot track any responsible persons who might be effectively pursued. Recovery against a trading company of uncertain assets and the expense and difficulty of enforcement in Brazil make the likelihood of recoverability of funds from Alpha very low, and the Group will not include any estimate as to quantum or timing for any result.

In March 2020, a shareholder class action was commenced against the Company in the Victorian Registry of the Federal Court of Australia. Wellard lodged its defence in June 2020 (see ASX announcement 10 March 2020) and since that time, the parties have been progressing the proceeding in accordance with a court ordered timetable, which provides for discovery, the exchange of evidence and a court ordered mediation, which is presently expected to occur in the second half of the calendar year 2023. The status of the class action has still not reached a stage where Wellard is able to reliably estimate the quantum of liability, if any, that Wellard may incur in respect of the class action. No contingency has been raised in these accounts in respect of the class action. Wellard has been asked by a number of shareholders whether it possesses Directors and officers (D&O) liability insurance. The specific arrangements Wellard has with its insurers are confidential. However, as would be expected of a listed public company, Wellard has various insurances in place to deal with a variety of risks, and the Company would be expected to give ongoing consideration to its entitlements under any potentially relevant insurance.

Wellard remains active in preparing a legal claim relating to losses incurred due to the 2011 ban on Australian livestock exports to the Republic of Indonesia. On 2 June 2020, the Federal Court of Australia found in favour of the lead applicant, Brett Cattle Company Pty Limited in representative proceedings (also known as a 'class action') before the Federal Court brought against the former Minister for Agriculture, Forestry and Fisheries Senator Joe Ludwig and the Commonwealth of Australia as the Respondents. Wellard's claim is being made following this successful litigation by the Brett Cattle Company. During the reporting period, Wellard continued to work with its lawyers on substantiating the direct and indirect losses incurred as a result of the 2011 ban. Negotiation with the Commonwealth has been ongoing. There remain a long series of legal and administrative steps, including mediation and continued negotiations with the Commonwealth regarding both the claimant group's and Wellard's losses. It is still too early to make any estimate of the amount which may be recovered by Wellard. No resolution is expected before 30 June 2023. No contingency has been raised in these accounts in respect of this class action.

## Directors' Declaration

In accordance with a resolution of the directors of Wellard Ltd, we state that:

In the opinion of the directors:

- (a) The condensed consolidated interim financial information and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Klepec  
Executive Chairman  
Perth  
Date: 16 February 2023

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF WELLARD LIMITED****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the accompanying half-year financial report of Wellard Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Basis for Conclusion**

We conducted our review in accordance with Auditing Standards on Review Engagements *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 Group in accordance with 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.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**Responsibility of the Directors for the Half-Year Financial Report**

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



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF WELLARD LIMITED (CONTINUED)

### Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and
- ii. complying with *Accounting Standard AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.

A handwritten signature in black ink that reads 'Neil Pace'.

NEIL PACE  
PARTNER

A handwritten signature in black ink that reads 'Moore Australia'.

MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 16<sup>th</sup> day of February 2023.