

Merino & Co. Limited

ABN 74 162 863 121

Annual Report - 30 June 2025

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Directors	Fang (Fiona) Yue Jack Hanrahan Boxiang (Peter) Zhao	Managing Director Non-Executive Director Non-Executive Director
Company secretary	Alan Thomas	
Registered office	4 Quartz Way Wangara WA 6065	
Principal place of business	4 Quartz Way Wangara WA 6065	
Contact details	www.merinoandco.com.au 08 9302 2659	
Share register	Automic Pty Ltd Level 5 / 191 St Georges Terrace Perth WA 6000	
Solicitor	HWL Ebsworth Lawyers Level 20 / 240 St Georges Terrace Perth WA 6000	
Auditor	William Buck Audit (WA) Pty Ltd Level 3 / 15 Labouchere Road South Perth WA 6151	
Stock exchange listing	Merino & Co. Limited shares are listed on the Australian Securities Exchange (ASX code: MNC)	
Corporate Governance Statement	https://merinoandco.com.au/pages/corporate-governance-statement-2025	

**Merino & Co. Limited
Directors' Report
30 June 2025**

The Directors present their report, together with the financial statements of the consolidated entity (referred to hereafter as the 'Group') consisting of Merino & Co. Limited (the 'Company') and the entity it controlled, for the financial year ended 30 June 2025.

These consolidated financial statements cover the period from 1 July 2024 to 30 June 2025. In order to comply with the provision of the *Corporations Act 2001*, the Directors' report is as follows:

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Fang (Fiona) Yue
Jack Hanrahan
Boxiang (Peter) Zhao

Principal activities

During the financial year the principal continuing activities of the Group consisted of the design, manufacturing and sale of variety of wool products.

There were no significant changes in the nature of the Group's principal activities during the year ended 30 June 2025.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

Financial performance

For the year ended 30 June 2025, the Group recorded a net loss after income tax of \$2,760,823 (2024: profit of \$137,256). The result reflects significant investment in brand transformation, product development, and international market expansion as the Group transitions to a listed entity and positions itself for long-term sustainable growth.

As at 30 June 2025, the Group maintained a net asset surplus of \$5,555,594 (2024: \$1,840,705), representing a strengthened balance sheet following the establishment of scalable operations and enhanced distribution capability.

Operational Highlights

FY25 reflects a period of strategic investment and transformation, the Company has established the foundations for scalable growth in both domestic and international markets, with enhanced production capacity, an expanded product range, strengthened digital platforms, and a focus on ESG values.

Expansion into New Facilities

In November 2024, the Group secured a long-term lease for a new manufacturing, storage, and distribution facility in Wangara, Western Australia.

- The new premises are nearly double the size of the previous facility, providing increased production capacity and streamlined logistics.
- Its strategic location near major Perth infrastructure and port facilities enhances the Group's ability to efficiently import raw materials and expand export capability for premium wool products.

Brand Transformation & Inventory Realignment

Aligned with the Company's transition to listed status, a brand transformation strategy was initiated to strengthen market positioning.

- The Group undertook a deliberate inventory realignment program, clearing legacy stock through heavily discounted sales.
- To prepare for upcoming northern hemisphere winter demand, significant inventory orders were placed targeting the U.S. and Chinese markets, ensuring readiness for marketing campaigns and distribution expansion.

Review of operations (continued)

Product Development

The Company advanced its innovation pipeline by expanding its product offering:

- Launched a new Merino-possum collection tailored to consumer preferences.
- Initial feedback demonstrated strong market acceptance, reinforcing the Company's premium positioning and alignment with emerging winterwear trends.

Digital Presence & International Expansion

To support global growth, the Group strengthened its digital commerce platforms:

- Relaunched www.merinoandco.com.au, featuring enhanced UX/UI and a multi-channel checkout system.
- Secured listings on leading international platforms, including Tmall International (China), Rakuten (Japan), and Amazon (U.S. and Australia).
- Recruited specialist international talent to oversee operations across these platforms, ensuring local expertise and market adaptation.

Strategic Initiatives

The Group launched several initiatives to enhance resilience and brand differentiation:

- Cryptocurrency integration on its e-commerce site (Bitcoin and Ethereum) as both a payment method and as part of a strategic reserve diversification.
- Expanded product diversification to capture broader customer segments, supporting growth and risk management.
- Strengthened operational efficiency through the implementation of a new CRM system, improving inventory management, supply chain transparency, and forecasting accuracy.

ESG & Community Engagement

Reflecting its commitment to ESG values and community impact, the Group:

- Partnered with Thread Together on a national online campaign, generating brand goodwill and emotional consumer connection while helping vulnerable communities.
- Donated winter essentials to Lifeline WA, Foodbank WA, and Radio Lollipop, reinforcing its role as a purpose-driven brand that supports individuals in need during the winter season.

Significant changes in state of affairs

During the year, the Company's share capital increased by \$8,257,018 (from \$800,100 to \$9,057,118) as a result of the successful Initial Public Offering (IPO), the issue of shares to lead manager and consultants, the conversion of management loan to equity and the conversion of convertible notes. Details of the changes in shares capital are disclosed in Note 19 to the financial statements.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

While FY25 results reflect a period of strategic investment and transformation, the Company has established the foundations for scalable growth in both domestic and international markets. With enhanced production capacity, an expanded product range, strengthened digital platforms, and a focus on ESG values, the Company is well positioned to deliver improved performance in FY26 and beyond.

Environmental regulation

The Group carries out operations that are subject to environmental regulations under Federal and State legislation in Australia and China. The Group is not aware of any breaches in relation to environmental matters.

Information on directors

Name:	Mrs Fang (Fiona) Yue
Date of appointment:	1 November 2020
Qualifications:	Master of Business Administration
Experience and expertise:	Ms Yue has grown Merino & Co into one of the largest wool products manufacturers in Australia. She helped Merino & Co establish retail, wholesale, and e-commerce business channels. Prior to migrating to Australia and establishing Merino & Co, Ms Yue led her own cashmere products manufacturing and distribution business in Inner Mongolia, China. Ms Yue holds an Masters of Business Administration from Edith Cowan University and has extensive business and management experience. Ms Yue was also an English-language lecturer of economics at the Inner Mongolia Normal University International Institute.
Other current directorships:	Nil
Former directorships (in the last 3 years):	Nil
Interests in shares:	10,200,000 shares
Interests in options:	Nil

Name:	Mr Jack Hanrahan
Date of appointment:	19 September 2022
Experience and expertise:	Mr Hanrahan has over 30 years of experience across various sectors with both publicly listed and private companies. Mr Hanrahan operates his own retail advisory business, multiply board appointments as a Non-Executive Director and was previously head of retailer relations at Westfield and General Manager of the retail network for Vodafone Australia. Mr Hanrahan is a graduate of the Australian Institute of Company Directors, has a Masters Degree in Management from Macquarie University.
Other current directorships:	Nil
Former directorships (in the last 3 years):	Nil
Interests in shares:	600,000 fully paid ordinary shares (subject to receipt of all necessary shareholders' approval, to be sought at the Company's 2025 annual general meeting).
Interests in options:	Nil

Information on directors (continued)

Name: Mr Boxiang (Peter) Zhao

Date of appointment: 23 January 2024

Qualifications: Master of Business Administration

Experience and expertise: Mr Zhao brings over 17 years of experience in senior management, corporate governance, and risk advisory services. His career spans across leading accounting firms, Australian listed companies and global retail brands in Australia. Mr Zhao has dedicated 8 years to senior management roles in the retail sector. He currently serves as the founder and CEO of Fleur Jewellery, a fashion jewellery retail store network in Australia. Previously, he held the positions of CFO of Miniso Australia, a globally recognised retail brand, and the General Manager and CFO at AuMake (ASX:AUK), an online and offline cross-border retailer. Mr Zhao holds a Master of Business Administration from the University of Sydney and a Bachelor's Degree in Accounting and Finance from Edith Cowan University. Mr Zhao is also a Fellow Certified Practising Accountant with CPA Australia.

As an experienced business and finance professional, Mr Zhao is equipped with extensive experience in financial management, business strategy implementation and advising on various corporate and cross border transactions. In his capacity as a Non-Executive Director, Mr Zhao leverages his background to provide valuable insights and oversight, enhancing corporate governance and strategic direction for the Company.

Other current directorships: Nil

Former directorships (in the last 3 years): Nil

Interests in shares: 150,000 fully paid ordinary shares (subject to receipt of all necessary shareholders' approval, to be sought at the Company's 2025 annual general meeting).

Interests in options: Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Mr Alan Thomas was appointed on 10 May 2023. He holds a Bachelor of Business degree from Curtin University and is a Fellow of the Institute of Chartered Accountants in Australia. He has over 35 years of experience in finance and administration, predominately in the accounting profession.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2025, and the number of meetings attended by each director were:

Director	Board Meetings	
	Number Eligible to attend	Number Attended
Fang Yue	2	2
Jack Hanrahan	2	2
Boxiang Zhao	2	2

The Board of Directors approved 3 circular resolutions during the year ended 30 June 2025 which were signed by all Directors of the Company. The audit, compliance and corporate governance committee functions are performed by the Board of Directors.

Remuneration report (audited)

The directors present the Group's 2025 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

(a) Key management personnel (KMP) covered in this report

The following were key management personnel of the Group at any time during the financial year and unless otherwise indicated were key management personnel for the entire year:

Name	Position held
Mrs Fang (Fiona) Yue*	Managing Director
Mr Jack Hanrahan	Non-Executive Director
Mr Boxiang (Peter) Zhao	Non-Executive Director
Mr Taizong (Tim) Kang*	Operations General Manager

**Mrs F Yue is also the spouse of Mr T Kang*

(b) Remuneration policy and link to performance

The Board has not set up a separate remuneration committee given its current size. The Board as a whole reviews and determines the Group's remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. In particular, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Group to attract and retain key talent
- aligned to the Group's strategic and business objectives and the creation of shareholder value
- transparent and easily understood, and
- acceptable to shareholders.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration is determined by the Board as a whole.

Fixed remuneration

Fixed remuneration for executive KMPs consists of base compensation (which is calculated on a total cost basis and includes any Fringe Benefits Tax charges related to employee benefits) as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed annually by the Board through a process that considers individual and overall performance of the Group. No fixed remuneration increase was given to any executive KMP during the year.

Short-term incentives

Executive Directors and senior management may be paid a discretionary bonus in the form of cash or equity in the Company. Any key performance indicators may be agreed at the start of the financial year and monitored by the Board before a score is given which will dictate the bonus awarded.

To date, the Group has not designed nor adopted a short-term incentive plan.

Long-term incentive

Long-term incentives (LTI) may be provided to key management personnel in the form of rights over ordinary shares of the Company. LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Rights may only be issued to directors subject to approval by shareholders at a general meeting.

To date, the Group has not designed nor adopted a long-term incentive plan.

No options were granted to directors or employees during this financial year.

The Company has introduced a policy that prohibits employees and Directors of the Company from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and Directors to confirm compliance.

Merino & Co. Limited
Directors' Report
30 June 2025

Group performance and link to remuneration

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded to KMPs.

	2025	2024	2023	2022	2021
Profit/(loss) for the year after tax	(2,760,823)	137,256	486,214	446,729	(833,804)
Basic earnings/(loss) per share (cents)	(4.74)	0.57	2.01	1.86	(5.01)
Dividends paid	Nil	Nil	Nil	Nil	Nil
Change in share price*	N/A	N/A	N/A	N/A	N/A
Share price at beginning of the period	N/A	N/A	N/A	N/A	N/A
Share price at end of the period	\$0.145	N/A	N/A	N/A	N/A

*The Company's shares are listed on ASX since October 2024. Share prices prior to this were not observable and have not been disclosed in this report.

(c) Remuneration expenses for KMP

	Year	Fixed remuneration			Variable Remuneration	Total	Proportion of remuneration performance related %
		Salary & fees \$	Superannuation benefits \$	Share-based Payments ¹ \$	Cash Bonus \$		
<i>Executive director</i>							
Mrs F Yue	2025	160,615	18,489	-	-	179,104	-
	2024	163,077	18,077	-	-	181,154	-
<i>Other KMP</i>							
Mr T Kang	2025	200,769	23,112	-	-	223,881	-
	2024	203,846	22,596	-	-	226,442	-
Total executive directors and other KMPs	2025	361,384	41,601	-	-	402,985	-
	2024	366,923	40,673	-	-	407,596	-
<i>Non-executive directors</i>							
Mr J Hanrahan ²	2025	40,500	-	87,000	-	127,500	-
	2024	40,500	-	-	-	40,500	-
Mr B Zhao ³	2025	36,174	-	21,750	-	57,924	-
	2024	10,000	-	-	-	10,000	-
Mr G Johnson ⁴	2025	-	-	-	-	-	-
	2024	22,500	-	-	-	22,500	-
Total non-executive directors	2025	76,674	-	108,750	-	185,424	-
	2024	73,000	-	-	-	73,000	-
Total, all KMPs	2025	438,058	41,601	108,750	-	588,409	-
	2024	439,923	40,673	-	-	480,596	-

Notes:

- Shares to be issued to NEDs are included in their letter of appointment but subject to shareholder's approval at the upcoming 2025 AGM. The shares have no vesting conditions attached and have therefore been fully expensed during the year in accordance with the accounting standards. The fair value of these shares has been estimated using the Company's share price as at the end of the financial year and may be revised subsequently once the shares are granted.
- Mr J Hanrahan agreed to waive his fees for the period from 1 April 2024 to 30 September 2024 to help the Company's management of cashflow prior to its IPO in October 2024.
- Appointed on 23 January 2024.
- Resigned on 30 November 2023

(d) Contractual arrangements with executive KMPs

Remuneration and other terms of engagement for the executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Other major provisions of the agreements relating to remuneration are set out below.

	Mrs F Yue	Mr T Kang
Title	Managing Director	Operations General Manager
Base salary	\$160,000 p.a. plus superannuation	\$200,000 p.a. plus superannuation
Agreement commenced	1 November 2020	23 September 2022
Term of agreement	Ongoing contract, no fixed term	Ongoing contract, no fixed term
Notice by the individual/company	Minimum notice period set out under the <i>Fair Work Act 2009</i>	
Termination payment	Minimum termination payments set out under the <i>Fair Work Act 2009</i>	

(e) Non-executive director arrangements

Non-executive directors receive a board fee which covers all main board activities and membership of committees if applicable. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation. The chairman does not receive additional fees for participating in or chairing committees.

Fees are reviewed annually by the board taking into account comparable roles and market rates.

The maximum annual aggregate directors' fee pool limit is \$500,000 and was approved by shareholders on 23 May 2023.

Non-executive directors' fees during the year were as follows:

Name	Non-Executive Directors' Fees
Mr Jack Hanrahan	\$54,000 per annum
Mr Boxiang (Peter) Zhao	\$24,000 per annum from 23 January 2024 to 28 October 2024 and \$42,000 per annum from 28 October 2024 to present

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

(f) Additional statutory information

Performance based remuneration

No cash bonus or options over ordinary shares in the Company were granted as compensation to any KMPs during the reporting period.

Key management personnel equity holdings

Fully paid ordinary shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly, or beneficially by each key management person, including their related parties, is as follows:

	Balance at the start of the year	Received as compensation during the year	Other changes during the year	Balance at the end of the year
Mrs F Yue ¹	10,200,000	-	-	10,200,000
Mr J Hanrahan ²	-	-	-	-
Mr B Zhao ³	-	-	-	-
Mr T Kang ¹	9,800,000	-	-	9,800,000

Notes:

- Mrs F Yue is the legal holder of 10,200,000 shares. Mr T Kang is the legal holder of 9,800,000 shares. Mrs F Yue is the spouse of Mr T Kang and is also an associate of Mr T Kang.
- Subject to receipt of all necessary shareholder approvals to be sought at the Company's 2025 AGM, the Company shall issue Mr Hanrahan (or his nominees) 600,000 shares.
- Subject to receipt of all necessary shareholder approvals to be sought at the Company's 2025 AGM, the Company shall issue Mr Zhao (or his nominees) 150,000 shares.

Options over ordinary shares

No options over ordinary shares were held directly, indirectly, or beneficially by any key management personnel during the year.

Loans to and from key management personnel

There were no loans provided to key management personnel of the Group or their close family members or entities related to them during the financial year.

Mrs F Yue and Mr T Kang provided loans to the Group to supplement its working capital. During the year, the Company entered into an agreement with Mr Kang in relation to the loan balance of \$716,081 – to be repaid over 60 equal monthly instalments of \$13,513 from October 2025 to September 2030, with an interest charge of 5% p.a. effective from October 2025. The rest of the loan are interest free and repayable at call. All loans from related parties are unsecured. A reconciliation of loans from Mrs F Yue and Mr T Kang during the financial year is provided as follows:

	2025	2024
	\$	\$
Balance at the beginning of the year	1,295,535	714,995
Net amount received/(repaid)	175,805	580,540
Loan converted to Equity	(699,454)	-
Balance at the end of the year	<u>771,886</u>	<u>1,295,535</u>
Highest balance during the year	1,770,230	1,303,061
Interest paid during the year	-	-

Other transactions with key management personnel

There were no other transactions with key management personnel of the Group or their close family members or entities related to them during the financial year.

Use of remuneration consultants

The Group did not engage the services of a remuneration consultant during the year.

Voting and comments made at the Company's 2024 Annual General Meeting ('AGM')

Not applicable. The Company was not required to issue a remuneration report for the year ended 30 June 2024.

This concludes the remuneration report, which has been audited.

Shares Under Options

(a) Unissued ordinary shares

At the date of this report, unissued ordinary shares of the Company under option are:

Grant Date	Expiry Date	Exercise Price	Number of Options
23 October 2024	23 October 2027	\$0.30	300,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

No options were granted to the KMPs of the company during or since the end of the financial year.

(b) Shares issued on the exercise of options

No options were exercised during the year or since the end of the year.

Indemnity and insurance of officers

The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The Group has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the Group

No person has applied to the Group under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 24 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of William Buck

There are no officers of the Company who are former audit partners of William Buck.

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors,



Fiona (Fang) Yue
Managing Director

29 August 2025

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Merino & Co. Limited

As lead auditor for the audit of Merino & Co. Limited for the year ended 30 June 2025, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Merino & Co. Limited and the entity it controlled during the year.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Deborah Chin

Deborah Chin
Director
Dated this 29th day of August 2025

Merino & Co. Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2025

	Note	2025 \$	2024 \$
Revenue		3,509,023	5,495,638
Interest income		6,638	2,832
Research and development rebate		-	112,972
Other income		79,106	79,957
Expenses			
Changes in inventories		1,075,517	1,151,579
Purchase of inventories		(4,198,273)	(5,103,692)
Employee benefits expense		(862,246)	(633,941)
Share-based payments	28(b)	(108,750)	-
Depreciation and amortisation expense		(302,725)	(290,341)
Impairment of receivables		18,465	256,942
Interest expense		(284,024)	(251,982)
Marketing expense		(482,198)	(268,054)
Consulting expense		(44,053)	(120,598)
Listing expense		(314,500)	(152,635)
Research and development expense		(55,000)	-
Rental expense		(130,104)	(100,499)
Foreign exchange (loss)/gain		(96,408)	36,225
Other expenses		(466,059)	(146,067)
Profit before income tax expense		(2,655,591)	68,336
Income tax (expense)/benefit	5	(105,232)	68,920
Profit after income tax expense for the year		(2,760,823)	137,256
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
Foreign operations – foreign currency translation differences		37,681	-
Other comprehensive income for the year, net of income tax		37,681	-
Total comprehensive income for the year attributable to the owners of Merino & Co. Limited		(2,723,142)	137,256
		Cents	Cents
Basic earnings cents per share	22	(4.74)	0.57
Diluted earnings cents per share	22	(4.74)	0.57

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Merino & Co. Limited
Consolidated Statement of Financial Position
As at 30 June 2025

	Note	2025 \$	2024 Restated* \$	1 July 2023 Restated* \$
Assets				
Current assets				
Cash and cash equivalents	6	2,973,644	455,832	480,562
Trade and other receivables	7	374,706	2,213,854	2,991,703
Inventories	8	3,603,381	2,529,952	1,378,373
Financial assets at amortised cost	9	105,572	-	-
Other assets	10	578,770	1,010,785	344,731
Total current assets		7,636,073	6,210,423	5,195,369
Non-current assets				
Property, plant and equipment	11	732,570	364,159	456,015
Intangible assets	12	72,002	121,784	167,992
Right-of-use assets	14	1,348,567	57,561	610,148
Investment properties	13	411,713	422,580	433,448
Other assets	10	61,224	105,041	103,503
Deferred tax assets	5	-	105,232	94,073
Total non-current assets		2,626,076	1,176,357	1,865,179
Total assets		10,262,149	7,386,780	7,060,548
Liabilities				
Current liabilities				
Trade and other payables	15	324,094	1,498,634	1,116,696
Income tax payable	5	-	-	136,080
Employee benefits	16	171,764	120,072	80,653
Borrowings	18	765,497	1,803,890	1,092,302
Lease liabilities	17	95,780	61,604	112,148
Total current liabilities		1,357,135	3,484,200	2,537,879
Non-current liabilities				
Borrowings	18	2,069,511	2,061,875	2,236,729
Lease liabilities	17	1,279,909	-	582,491
Total non-current liabilities		3,349,420	2,061,875	2,819,220
Total liabilities		4,706,555	5,546,075	5,357,099
Net assets		5,555,594	1,840,705	1,703,449
Equity				
Issued capital	19	9,057,118	800,100	800,100
Reserves	20	169,124	1,950,430	1,950,430
Accumulated losses	21	(3,670,648)	(909,825)	(1,047,081)
Total equity		5,555,594	1,840,705	1,703,449

* See Note 4 for details regarding the restatement as a result of an error.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Merino & Co. Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2025

	Issued Capital	Reserves	Accumulated Losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2023	800,100	1,950,430	(1,047,081)	1,703,449
Profit for the year	-	-	137,256	137,256
Other comprehensive income for the year net of tax	-	-	-	-
Total comprehensive income for the year	-	-	137,256	137,256
Transactions with owners in their capacity as owners:				
Issue of shares	-	-	-	-
Total contributions by owners	-	-	-	-
Balance as at 30 June 2024	800,100	1,950,430	(909,825)	1,840,705
Balance at 1 July 2024	800,100	1,950,430	(909,825)	1,840,705
Loss for the year	-	-	(2,760,823)	(2,760,823)
Other comprehensive income for the year net of tax	-	37,681	-	37,681
Total comprehensive income for the year	-	37,681	(2,760,823)	(2,723,142)
Transactions with owners in their capacity as owners:				
Issue of shares	7,193,454	-	-	7,193,454
Converted notes converted to equity	1,950,430	(1,950,430)	-	-
Issue of options to lead manager	-	22,693	-	22,693
Share-based payments	-	108,750	-	108,750
Share issue costs	(886,866)	-	-	(886,866)
Total contributions by owners	8,257,018	(1,818,987)	-	6,438,031
Balance as at 30 June 2025	9,057,118	169,124	(3,670,648)	5,555,594

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Merino & Co. Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2025

	Note	2025 \$	2024 \$
Cash flows from operating activities			
Receipts from customer		5,678,158	6,544,187
Payments to suppliers and employees		(7,481,175)	(6,655,562)
Interest received		4,383	2,832
Interest paid		(198,151)	(220,868)
Income tax paid/(refunded)		55,424	(43,743)
Net cash used in operating activities	23(a)	<u>(1,941,361)</u>	<u>(373,154)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(459,461)</u>	<u>(3,262)</u>
Net cash used in investing activities		<u>(459,461)</u>	<u>(3,262)</u>
Cash flows from financing activities			
Proceeds from issue of shares		6,354,000	-
Payment of capital raising costs		(915,568)	-
Net proceeds from borrowings - related parties		175,805	580,382
Proceeds from borrowings		-	140,000
Repayment of borrowings		(486,446)	(157,353)
Repayment of lease liabilities		(207,848)	(185,047)
Repayment of hire purchase loan		<u>(20,837)</u>	<u>(26,296)</u>
Net cash provided by financing activities		<u>4,899,106</u>	<u>351,686</u>
Net increase/(decrease) in cash and cash equivalents			
		2,498,284	(24,730)
Cash and cash equivalents at the beginning of the financial year		455,832	480,562
Effects of exchange rate changes on cash and cash equivalents		19,528	-
Cash and cash equivalents at the end of the financial year	6	<u>2,973,644</u>	<u>455,832</u>
Non-cash financing and investing activities			
	23(b)		

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Merino & Co. Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2025

1. Reporting Entity

Merino & Co. Limited (the 'Company') is a public company limited by shares incorporated in Australia whose shares are traded on the Australian Securities Exchange ('ASX').

These consolidated financial statements comprises the Company and its subsidiary (together referred to as the 'Group'). They were authorised for issue by the Board of Directors on 29 August 2025.

The nature of the operations and principal activities of the Group is described in the Directors' Report.

2. Summary of Material Accounting Policy Information

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial report is presented in Australian dollars.

(a) Basis of preparation

These general-purpose financial statements for the year ended 30 June 2025 have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards ('AASB') other authoritative pronouncements of the Australian Accounting Standards Board. Merino & Co. Limited is a for profit entity for the purpose of preparing the financial statements.

The financial statements of the Group also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared on the accruals basis and the historical cost basis, unless otherwise stated.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2025

The Group 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. The adoption of these new or amended Accounting Standards and Interpretations did not have any material impact on the Group's accounting policies or operational results.

Standards and Interpretations in issue not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ended 30 June 2025. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements, with the exception of AASB 18 which will change the classification, but not the basis of measurement, of items presented in the Income Statement.

Standard/Interpretation	Application Date of Standard	Application Date for the Company
AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments (Amendments to AASB 7 and AASB 9)	1 January 2026	1 July 2026
AASB 2024-3 Amendments to AASs – Annual Improvements Volume 11 (Amendments to AASB 1, AASB 7, AASB 9, AASB 10, and AASB 107)	1 January 2026	1 July 2026
AASB 18 Presentation and Disclosure in Financial Statements	1 January 2027	1 July 2027
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2028	1 July 2028

Merino & Co. Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2025

2. Summary of Material Accounting Policy Information (continued)

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Merino & Co. Limited ('Company' or 'Parent Entity') as at 30 June 2025 and the results of the subsidiary for the year then ended. Merino & Co. Limited and its subsidiary together are referred to in these financial statements as the 'Consolidated Entity' or the 'Group'.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from involvements with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The acquisition method of accounting is used to account for business combinations by the Group

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The Group has a subsidiary whose operations are located outside of Australia. The functional currency for the Group's parent entity is Australian dollars (AUD). The functional currency for the Group's subsidiary operating outside of Australia is Chinese Yuan (CNY). The consolidated financial statements are presented in Australian dollars (AUD), which is the Group's presentational currency. All values are rounded to the nearest dollar unless otherwise stated.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(iii) Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into AUD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into AUD at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. Summary of Material Accounting Policy Information (continued)

(e) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

(f) Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Interest

Interest revenue is recognised as interest accrues.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

2. Summary of Material Accounting Policy Information (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

(h) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(k) Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

2. Summary of Material Accounting Policy Information (continued)

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Motor vehicles	5-15 years
Plant and equipment	2-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

2. Summary of Material Accounting Policy Information (continued)

(n) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(o) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Trademarks

Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

(p) Investment properties

Investment properties, principally commercial buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over their expected useful lives of 50 years.

(q) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

2. Summary of Material Accounting Policy Information (continued)

(s) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(t) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(u) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(v) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees or consultants in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting periods but may impact profit or loss and equity.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Merino & Co. Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2025

2. Summary of Material Accounting Policy Information (continued)

(w) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(x) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(y) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Merino & Co. Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Merino & Co. Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2025

3. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with consultants and advisors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to Note 28 for further information.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 7, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Net realisable value of inventory

The key assumptions, which require the use of management judgement, are the variables affecting costs recognised in the manufacture of the inventory, and the bringing of the inventory to its location and condition for sale, estimated costs to sell and its expected selling price. These key assumptions are reviewed at least annually.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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4. Prior Period Restatement – Reclassification of Buildings to Investment Property

Nature of prior period error

In prior years, the Group's building located at Unit 3, 82 Christable Way, Landsdale WA 6065 was classified within Property, Plant and Equipment as "Buildings and Improvements – at cost" and measured at cost less accumulated depreciation and impairment. The building has been leased under an operating lease for the past three financial years and generated rental income of \$33,803 for the year ended 30 June 2025 (2024: \$33,927).

In accordance with AASB 140 Investment Property, the asset meets the definition of investment property as it is held to earn rental income rather than for use in the production or supply of goods or services, or for administrative purposes. The classification error has been corrected by restating each affected financial statement line item for the prior period.

Impact of the restatement

The reclassification had no impact on profit or loss, net assets, cash flows, or earnings per share. The impact on the statement of financial position is as follows:

Statement of Financial Position	30 Jun 2024	1 Jul 2023
Property, plant and equipment	(422,580)	(433,448)
Investment property	422,580	433,448
Net impact	–	–

Comparative information

Comparative amounts have been restated to reflect the reclassification.

5. Income Tax

(a) Income tax expense

	2025 \$	2024 \$
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	105,232	(11,159)
Adjustment recognised for prior periods	-	(57,761)
Income tax expense/(benefit)	<u>105,232</u>	<u>(68,920)</u>

(b) Numerical reconciliation of income tax expense and tax at the statutory rate

(Loss)/Profit before income tax expense	(2,655,591)	68,336
Tax at the statutory tax rate of 25% (2024: 25%)	(663,898)	17,084
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	27,188	-
Reversal of deferred tax assets previously provided for	105,232	-
Deferred tax assets not brought into account	636,710	-
Non-assessable research and development rebate	-	(28,243)
Over provided in prior years	-	(57,761)
Income tax expense/(benefit)	<u>105,232</u>	<u>(68,920)</u>

Merino & Co. Limited
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	2025 \$	2024 \$
5. Income Tax (continued)		
(c) Deferred tax assets		
Opening balance	105,232	94,073
Movement during the year	(105,232)	11,159
Closing balance	<u>-</u>	<u>105,232</u>

The benefit of unused tax losses of \$766,077 has not been brought to account at 30 June 2025 because the Directors do not believe it is appropriate to regard realisation of the deferred tax asset as being probable at this point in time. These tax losses are also subject to final determination by the taxation authorities when the Group derives taxable income. The taxation benefits of tax losses will only be realised if:

- (a) The Company and its subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit of the deduction for the losses to be realised;
- (b) The Company and its subsidiaries continue to comply with the conditions for the deductibility imposed by law; and
- (c) No changes in the tax legislation adversely affect the Company and its subsidiaries in realising the benefit of the losses.

6. Cash And Cash Equivalents

	2025 \$	2024 \$
Cash at bank – unrestricted	2,965,671	34,178
Cash at bank - restricted	-	421,654
Cash on hand	7,973	-
	<u>2,973,644</u>	<u>455,832</u>

Restricted fund represents the RMB balances held in China. Merino & Co has not repatriated any Chinese RMB to Australia and has instead used the RMB to purchase materials or inventory and pay expenses incurred in China.

7. Trade And Other Receivables

	2025 \$	2024 \$
Current		
Trade receivables	233,981	2,373,703
Less: Allowance for expected credit losses	(169,795)	(162,381)
Accrued interest	2,117	2,532
Other receivables	308,403	-
	<u>374,706</u>	<u>2,213,854</u>

Allowance for expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. The Group has recognised a gain of \$18,465 in profit or loss in respect of the expected credit losses for the year ended 30 June 2025 (2024: gain of \$256,942).

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7. Trade And Other Receivables (continued)

The aging of the receivables and allowances for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2025	2024	2025	2024	2025	2024
	%	%	\$	\$	\$	\$
Not overdue	-	-	49,207	1,516,576	-	-
0 to 3 months overdue	-	-	14,979	444,237	-	-
3 to 6 months overdue	-	-	-	162,088	-	-
Over 6 months overdue	100	64.74	169,795	250,802	169,795	162,381
			233,981	2,373,703	169,795	162,381

Movements in the allowance for expected credit losses are as follows:

	2025	2024
	\$	\$
Opening balance	162,381	445,202
Additional provisions recognised	7,414	-
Unused amounts reversed	-	(282,821)
Closing balance	169,795	162,381

8. Inventories

Raw materials	386,280	-
Work in progress	12,480	-
Finished goods	3,204,621	2,529,952
	3,603,381	2,529,952

9. Financial Assets at Amortised Cost

Current

Bank term deposits - held to maturity	105,572	-
	105,572	-

10. Other Assets

Current

Prepayments	578,770	893,516
Prepayments – Capital raising/IPO related costs	-	117,269
	578,770	1,010,785

Non-Current

Rental deposit	42,684	102,903
E-Commerce platform security deposits	16,937	-
Borrowing Costs	2,675	2,675
Less: Accumulated amortisation on borrowing costs	(1,072)	(537)
	61,224	105,041

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11. Property, Plant And Equipment

	Motor Vehicles	Plant and equipment	Total
	\$	\$	\$
At 1 July 2023 (Restated, see Note 4)			
Cost	166,189	621,333	787,522
Accumulated depreciation	(110,466)	(221,041)	(331,507)
Net book amount	<u>55,723</u>	<u>400,292</u>	<u>456,015</u>
Year ended 30 June 2024 (Restated, see Note 4)			
Opening net book amount	55,723	400,292	456,015
Depreciation expense	(20,497)	(71,359)	(91,856)
Closing net book amount	<u>35,226</u>	<u>328,933</u>	<u>364,159</u>
At 30 June 2024 (Restated, see Note 4)			
Cost	166,189	621,333	787,522
Accumulated depreciation	(130,963)	(292,400)	(423,363)
Net book amount	<u>35,226</u>	<u>328,933</u>	<u>364,159</u>
Year ended 30 June 2025			
Opening net book amount	35,226	328,933	364,159
Additions	-	459,461	459,461
Depreciation expense	(19,510)	(71,540)	(91,050)
Closing net book amount	<u>15,716</u>	<u>716,854</u>	<u>732,570</u>
At 30 June 2025			
Cost	166,189	1,080,795	1,246,984
Accumulated depreciation	(150,473)	(363,941)	(514,414)
Net book amount	<u>15,716</u>	<u>716,854</u>	<u>732,570</u>

12. Intangible Assets

	2025	2024
	\$	\$
Trademarks acquired from third-party – at cost	290,929	290,929
Less: Accumulated amortisation	(227,429)	(178,941)
	<u>63,500</u>	<u>111,988</u>
Internally generated Trademarks – at cost	6,360	6,360
Less: Accumulated amortisation	-	-
	<u>6,360</u>	<u>6,360</u>
Software – at cost	5,116	5,116
Less: Accumulated amortisation	(2,974)	(1,680)
	<u>2,142</u>	<u>3,436</u>
Total	<u>72,002</u>	<u>121,784</u>

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12. Intangible Assets (continued)

Reconciliation of movements in Intangible assets during the year:

	Trademarks acquired from third-party	Internally generated Trademarks	Software	Total
	\$	\$	\$	\$
Balance at 1 July 2023	157,974	6,360	3,658	167,992
Additions	2,501	-	761	3,262
Amortisation expense	(48,487)	-	(983)	(49,470)
Balance at 30 June 2024	<u>111,988</u>	<u>6,360</u>	<u>3,436</u>	<u>121,784</u>
Balance at 1 July 2024	111,988	6,360	3,436	121,784
Amortisation expense	(48,488)	-	(1,294)	(49,782)
Balance at 30 June 2025	<u>63,500</u>	<u>6,360</u>	<u>2,142</u>	<u>72,002</u>

13. Investment Properties

	2025	2024 Restated
	\$	\$
Commercial building – at cost	543,373	543,373
Less: Accumulated depreciation	<u>(131,660)</u>	<u>(120,793)</u>
	<u>411,713</u>	<u>422,580</u>
Opening balance as at 1 July (Restated, see Note 4)	422,580	433,448
Depreciation expense	<u>(10,867)</u>	<u>(10,868)</u>
Closing balance as at 30 June	<u>411,713</u>	<u>422,580</u>

(i) Amounts recognised in profit or loss for investment properties

Net rental income from operating leases	33,803	33,927
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(ii) Measurement of investment properties

Investment properties are carried at cost less accumulated depreciation and impairment losses.

(iii) Presenting cash flows

The group classifies cash outflows to acquire or construct investment property as investing and rental inflows as operating cash flows.

(iv) Leasing arrangements

The investment property is leased to tenants under operating lease with rentals payable monthly. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

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Notes to the Consolidated Financial Statements
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14. Right-Of-Use Assets

	2025	2024
	\$	\$
Land and buildings – right-of-use	1,442,032	828,880
Less: Accumulated depreciation	(93,465)	(771,319)
	<u>1,348,567</u>	<u>57,561</u>

Amounts recognised in the statement of profit or loss

The following amounts are recognised in the statement of profit or loss relating to leases:

Depreciation of right-of-use assets	151,026	138,147
Interest expense on lease liabilities	79,900	33,188
	<u>230,926</u>	<u>171,335</u>

Additions to the right-of-use assets during the year were \$1,442,032 (2024: nil), which represents the Group's leased office and warehouse located at 4 Quartz Way, Wangara WA. The lease commenced on 20 November 2024 with an initial term of 4 years and an option to extend for another 5 years. The lease has various escalation clauses. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes.

The Group also leases another warehouse and various equipment under separate agreements. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets. Refer Note 2(n) for the Group's accounting policies relevant to right-of-use assets.

15. Trade and Other Payables

	2025	2024
	\$	\$
Current		
Trade payables	169,451	1,316,212
Other payables	154,643	182,422
	<u>324,094</u>	<u>1,498,634</u>

16. Employee Benefits

Current		
Provision for annual leave	171,764	120,072
	<u>171,764</u>	<u>120,072</u>

17. Lease Liabilities

Lease liabilities - current	95,780	61,604
Lease liabilities - non-current	1,279,909	-
	<u>1,375,689</u>	<u>61,604</u>

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18. Borrowings

		2025 \$	2024 \$
Current	Note		
Loan from Management – interest free	(i)	55,805	1,295,535
Loan from Management – with interest	(ii)	96,362	-
Hire purchase loan		-	20,837
Loan from bank – investment property	(iv)	403,000	-
Loan from bank – working capital	(iii)	210,330	187,693
Loan from bank – export finance		-	300,000
Other borrowings		-	(175)
		765,497	1,803,890
Non-current			
Loan from Management – with interest	(ii)	619,719	-
Loan from bank – export finance	(iv)	-	403,000
Loan from bank – working capital	(iii)	1,449,792	1,658,875
		2,069,511	2,061,875

Notes:

(i) The following is a reconciliation of interest free loan from management during the financial year:

	2025 \$	2024 \$
Balance at the beginning of the year	1,295,535	714,995
Loan received/(repaid)	175,805	580,540
Loan converted to Equity (refer to Note 19)	(699,454)	-
Amount of which a separate repayment agreement has been entered into in July 2024 (refer to note (ii) below)	(716,081)	-
Balance at the end of the year	55,805	1,295,535

The loan is unsecured, interest free and repayable at call.

- (ii) The lender entered into an agreement with the Company in July 2024 whereby \$716,081 of the existing loan balance will be repaid over 60 equal monthly instalments of \$13,513 from October 2025 to September 2030, with an interest charge of 5% p.a. effective from October 2025. The loan is unsecured.
- (iii) Secured over the Company's present and future rights, property and undertaking and director personal guarantee, interest charge at 7.7% p.a. (2024: 8.2%). Repayable by monthly instalments with final repayment in December 2031.
- (iv) Secured over the Company's investment property located at 3/82 Christable Way, Landsdale WA 6065. Interest charge at variable rates of 6.92% p.a. Interest only repayment with a maturity date of 30 April 2026.

19. Issued Capital

	2025 Shares	2024 Shares	2025 \$	2024 \$
Ordinary shares – fully paid	73,776,570	24,000,000	9,057,118	800,100

Movements in ordinary share capital

	Issue Price \$	2025 Number	2024 Number	2025 \$	2024 \$
Balance at the beginning of the year		24,000,000	24,000,000	800,100	800,100
Issue of shares per prospectus	0.20	31,770,000	-	6,354,000	-
Conversion of convertible note	0.141	13,809,300	-	1,950,430	-
Conversion of management loans into shares	0.20	3,497,270	-	699,454	-
Issue of shares to consultants	0.20	200,000	-	40,000	-
Issue of shares to lead manager	0.20	500,000	-	100,000	-
Capital raising costs		-	-	(886,866)	-
Balance at the end of the year		73,776,570	24,000,000	9,057,118	800,100

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19. Issued Capital (continued)

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

20. Reserves

	2025 \$	2024 \$
<i>Convertible notes reserve</i>		
Balance at the beginning of the year	1,950,430	1,950,430
Conversion of convertible notes to fully paid ordinary shares (refer to Note 19)	(1,950,430)	-
Balance at the end of the year	<u>-</u>	<u>1,950,430</u>
<i>Options reserve</i>		
Balance at the beginning of the year	-	-
Issue of options to lead manager (refer to Note 28(a))	22,693	-
Balance at the end of the year	<u>22,693</u>	<u>-</u>
<i>Share based payments reserve</i>		
Balance at the beginning of the year	-	-
Shares to be issued to Directors subject to shareholders' approval (Note 28(b))	108,750	-
Balance at the end of the year	<u>108,750</u>	<u>-</u>
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	-	-
Currency translation differences on translation of foreign operations	37,681	-
Balance at the end of the year	<u>37,681</u>	<u>-</u>
Total Reserves	<u>169,124</u>	<u>1,950,430</u>

Convertible notes reserve

The reserve is used to recognise the convertible notes issued during the year ended 30 June 2023.

During the year, all the convertibles notes were converted into fully paid ordinary shares in the Company at the rate of one share for each note held.

Options reserve

The reserve is used to recognise the values attributed to options issued to lead manager in consideration for the provision of capital raising services. The options were valued at their fair value on the issue date using a black-Scholes valuation model.

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20. Reserves (continued)

Share based payments reserve

The reserve is used to recognise the values attributed to shares granted to employees and Directors in consideration for the provision of services.

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. The group has subsidiaries whose operations are located outside of Australia (refer Note 32 for details of subsidiaries). The functional currency for the Group's subsidiaries operating outside of Australia is Chinese Yuan (CNY). In accordance with the Group's accounting policies as disclosed in Note 2, the assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into AUD at the exchange rates at the reporting date. Exchange rate used by the Group for translation as at 30 June 2025 was AUD1 = CNY4.6921 (at 30 June 2024 was AUD1 = CNY4.8143). The income and expenses of foreign operations are translated into AUD at the dates of the transactions.

21. Accumulated Losses

	2025	2024
	\$	\$
Accumulated losses at the beginning of the financial year	(909,825)	(1,047,081)
Profit / (Loss) after income tax expense for the year	(2,760,823)	137,256
Accumulated losses at the end of the financial year	<u>(3,670,648)</u>	<u>(909,825)</u>

22. Earnings/(loss) Per Share

The calculation of basic loss per share was based on the following:

	2025	2024
	\$	\$
Profit/(Loss) attributable to ordinary shareholders of Merino & Co. Limited		
Net profit/(loss) for the year	<u>(2,760,823)</u>	<u>137,256</u>
<i>Weighted average number of ordinary shares</i>	Number	Number
Balance at beginning of year	24,000,000	24,000,000
Effect of shares issued during the financial year	<u>34,229,915</u>	<u>-</u>
Weighted average numbers of ordinary shares on issue during the year	<u>58,229,915</u>	<u>24,000,000</u>
Basic and diluted earnings/(loss) per share - cents	<u>(4.74) cents</u>	<u>0.57 cents</u>

Diluted earnings/(loss) per share must be calculated where potential ordinary shares on issue are dilutive. As the potential ordinary shares on issue as at 30 June 2025 would decrease the loss per share for the year, they are not considered dilutive, and not shown.

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23. Cash Flow Information

(a) Reconciliation of cash flow from operations

	2025 \$	2024 \$
Profit/(loss) after income tax expense for the year	(2,760,823)	137,256
Adjustments for:		
Depreciation and amortisation	302,725	290,341
Gain on modification of lease	-	(66,200)
Interest repayments - lease	79,900	33,188
Share based payments	108,750	-
IPO related capital raising costs	314,500	-
FX Gain/Loss	24,908	-
Foreign currency translation differences	(6,646)	-
Change in operating assets and liabilities		
- Trade and other receivables	1,836,478	777,846
- Inventories	(1,073,429)	(1,151,579)
- Other assets	255,660	(668,128)
- Deferred tax assets	105,232	(11,158)
- Trade and other payables	(1,180,308)	381,941
- Income tax	-	(136,080)
- Employee benefits	51,692	39,419
Net cash used in operating activities	(1,941,361)	(373,154)

(b) Non-cash investing and financing activities

On 23 October 2024, 13,809,300 convertible notes with a face value of \$1,950,430 were converted into 13,809,300 fully paid ordinary shares.

On 23 October 2024, \$699,454 loan from Directors were converted into 3,497,270 fully paid ordinary shares.

On 23 October 2024, the Company issued 500,000 fully paid ordinary shares and 300,000 unlisted options to the lead manager associated with the Initial Public Offering. These options have an exercise price of \$0.30 and expire on 23 October 2027.

On 23 October 2024, the Company issued 200,000 fully paid ordinary shares to a consultant in consideration of investor engagement and communication services provided associated with the Initial Public Offering.

(c) Reconciliation of changes in liabilities arising from financing activities

The following table shows a reconciliation of the Group's liabilities whose cash flow movements are disclosed as part of financing activities in the Consolidated Statement of Cash Flows.

	Opening balance	Non-cash changes				Cash inflows	Cash outflows	Closing balance
		Conversion to equity	New lease/lease modification	Interest expense	Other			
2025								
Borrowings	3,865,765	(699,454)	-	-	175	175,805	(507,283)	2,835,008
Lease liabilities	61,604	-	1,442,032	79,901	-	-	(207,848)	1,375,689
2024								
Borrowings	3,329,031	-	-	-	-	720,383	(183,649)	3,865,765
Lease liabilities	694,639	-	(481,176)	33,188	-	-	(185,047)	61,604

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24. Remuneration Of Auditors

During the financial year the following fees were paid or payable to the auditors and the auditors' related practices:

	2025 \$	2024 \$
<i>William Buck Audit (WA) Pty Ltd</i>		
Audit of financial reports for the Group	62,372	36,000
<i>William Buck Consulting (WA) Pty Ltd</i>		
Other services – Investigating Accountant's Report	16,523	18,000
Total services provided by <i>auditors of the Company and their related practice</i>	<u>78,895</u>	<u>54,000</u>
<i>Other auditors and their related network firms</i>		
Audit of financial reports for controlled entities	<u>2,139</u>	<u>-</u>

25. Related Party Transactions

(a) Parent entity

The Group is controlled by the following entity:

Name	Type	Place of incorporation	Ownership interest	
			2025	2024
Merino & Co. Limited	Ultimate Australian parent entity	Australia	100%	100%

(b) Subsidiaries

Interests in subsidiaries are set out in Note 32.

(c) Key management personnel compensation

	2025 \$	2024 \$
Short-term employee benefits	438,058	439,923
Post-employment benefits	41,601	40,673
Share based payments	108,750	-
	<u>588,409</u>	<u>480,596</u>

Detailed remuneration disclosures are provided in the Remuneration Report on pages 6 to 9.

(d) Transactions with related parties

Mrs F Yue and Mr T Kang provided loans to the Group to supplement its working capital. During the year, \$699,454 of the loan was converted to shares in the Company at the price of \$0.20 per share. During the year, the Company also entered into an agreement with Mr Kang in relation to the loan balance of \$716,081 – to be repaid over 60 equal monthly instalments of \$13,513 from October 2025 to September 2030, with an interest charge of 5% p.a. effective from October 2025. The rest of the loan are interest free and repayable at call. All loans from related parties are unsecured. A reconciliation of loans from related parties during the financial year is provided as follows:

	2025 \$	2024 \$
Balance at the beginning of the year	1,295,535	714,995
Net amount received/(repaid)	175,805	580,540
Loan converted to Equity	(699,454)	-
Balance at the end of the year	<u>771,886</u>	<u>1,295,535</u>

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26. Operating Segments

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

The Entity has identified two reporting segments, being Australia and China.

	Australia	China	Total
	\$	\$	\$
30 June 2025			
Revenue	2,901,201	607,822	3,509,023
Profit/(loss) after income tax	(2,817,406)	56,583	(2,760,823)
Total segment assets	8,597,215	1,664,934	10,262,149
Total segment liabilities	4,685,905	20,650	4,706,555
	Australia	China	Total
	\$	\$	\$
30 June 2024			
Revenue	2,465,662	3,029,976	5,495,638
Profit/(loss) after income tax	87,756	49,500	137,256
Total segment assets	5,055,901	2,330,879	7,386,780
Total segment liabilities	5,153,858	392,217	5,546,075

27. Financial Instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flowing forecasting.

Merino & Co. Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2025

27. Financial Instruments (continued)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2025	2024	2025	2024
	\$	\$	\$	\$
Chinese Yuan	900,506	2,330,879	16,795	392,216
Japanese Yen	-	-	317	-
	<u>900,506</u>	<u>2,330,879</u>	<u>17,112</u>	<u>392,216</u>

The Group had net assets denominated in foreign currencies of \$883,394 (assets of \$900,506 less liabilities of \$17,112) as at 30 June 2025 (2024: net assets \$1,938,663 (assets of \$2,330,879 less liabilities of \$392,216)). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2024: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$44,170 higher/lower (2024: \$96,933 higher/lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2025 was \$96,408 (2024: gain of \$36,225).

Price risk

The Group is not exposed to significant price risk.

Interest rate risk

The Group's main interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk.

The Group's loan from bank, totalling \$2,063,122 (2024: \$2,549,568), are principal and interest payment loans based on variable interest rate. An official increase/decrease in interest rates of 100 (2024: 100) basis points would have an adverse/favourable effect on profit before tax of \$20,631 (2024: \$25,496) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst forecasts.

The loans and borrowings other than mentioned above are fixed rate instruments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Merino & Co. Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2025

27. Financial Instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Interest Rate %	Contractual cash flows \$	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$
2025						
Trade and other payables	246,089	Nil	(246,089)	(246,089)	-	-
Loan from directors - interest free	55,805	Nil	(55,805)	(55,805)	-	-
Loan from directors - with interest	716,081	5%	(810,800)	(121,620)	(648,640)	(40,540)
		6.92%~				
Loan from bank	2,063,122	7.70%	(2,531,357)	(757,080)	(1,323,360)	(450,917)
Lease liabilities	1,375,689	8%	(1,919,216)	(202,436)	(883,119)	(833,661)
			(5,563,267)	(1,383,030)	(2,855,119)	(1,325,118)
2024						
Trade and other payables	1,498,634	Nil	(1,498,634)	(1,498,634)	-	-
Loan from directors - interest free	1,295,535	Nil	(1,295,535)	(1,295,535)	-	-
Hire purchase loan	20,837	6.31%	(23,846)	(23,846)	-	-
		5.40%~				
Loan from bank	2,549,568	10.32%	(3,201,023)	(669,666)	(1,749,600)	(781,757)
Lease liabilities	61,604	5.15%	(61,604)	(61,604)	-	-
			(6,080,642)	(3,549,285)	(1,749,600)	(781,757)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

28. Share Based Payments

(a) Shares and options issued to consultants and advisors

On 23 October 2024, the Company issued 500,000 fully paid ordinary shares and 300,000 unlisted options to the lead manager associated with the Initial Public Offering. These options have an exercise price of \$0.30 and expire on 23 October 2027. The Company also issued 200,000 fully paid ordinary shares to a consultant in consideration of investor engagement and communication services provided associated with the Initial Public Offering.

The total fair value of the shares granted was \$140,000 based on a grant date fair value of \$0.20 per share. The total fair value of the options granted was \$22,693. The options have no vesting conditions attached to them and are expensed in full on issue. As a result, \$162,693 was recognised as capital raising costs during the period for these shares and options.

The fair value of the options granted was calculated using the Black-Scholes option valuation methodology and applying the following inputs:

Weighted average exercise price	\$0.30
Weighted average life of the options	3.00 years
Weighted average underlying share price	\$0.20
Expected share price volatility	70%
Risk-free interest rate	3.96%
Expiry date	23 October 2027

Merino & Co. Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2025

28. Share Based Payments (continued)

Set out below are summaries of options granted by the Company to advisors:

Grant date	Exercise price	Expiry date	Balance at start of the year	Granted during the year	Exercised / lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
23/10/2024	\$0.30	23/10/2027	-	300,000	-	300,000	300,000
			-	300,000	-	300,000	300,000
Weighted Average exercise price			N/A	\$0.30	-	\$0.30	\$0.30

The Company did not have any options on issue for the year ended 30 June 2024.

The options outstanding at 30 June 2025 have a weighted average remaining contractual life of 2.32 years (2024: N/A).

(b) Shares and options to be issued to non-executive Directors

The Company has agreed to issue a total of 750,000 fully paid ordinary shares to its non-executive Directors for nil cash consideration, subject to shareholder approval at the 2025 Annual General Meeting. As shareholder approval had not been obtained as at 30 June 2025, no grant date has yet occurred.

In accordance with *AASB 2 Share-based Payment*, the cost of services received in anticipation of the grant is recognised over the period the services are provided. Prior to grant date, the expense has been measured provisionally by reference to the Company's share price at 30 June 2025, being \$108,750, with a corresponding increase in equity. Once shareholder approval is obtained and the grant date established, the total expense recognised will be based on the grant-date fair value of the shares granted, and will not be subsequently remeasured.

29. Commitments

The Company is a party to a research and development project in co-operation with Queensland University of Technology and The University of Queensland, co-funded by the Australian Federal Government, to develop wearable thermoelectric textiles ('R&D Project'). To give effect to the R&D Project, the Company has entered into two collaboration agreements with Queensland University of Technology and The University of Queensland in June 2022 and agreed to make total cash contributions of \$450,000 to the R&D Project over the estimated term of 3 years. As at 30 June, amount committed but not yet recognised as liabilities payable are as follows:

	2025	2024
	\$	\$
R&D project funding	<u>240,000</u>	<u>410,000</u>

30. Contingent Assets and Liabilities

The Group has given bank guarantees as at 30 June 2025 of \$42,684 (30 June 2024: \$102,903) to the lessor.

The Group has no contingent assets as at 30 June 2025 and 30 June 2024.

Merino & Co. Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2025

31. Parent Entity Information

The following information has been extracted from the books and records of the parent and has been prepared on the same basis as the consolidated financial statements.

(a) Summary financial information

Statement of Profit or Loss and Other Comprehensive Income

	Parent Entity	
	2025	2024
	\$	\$
(Loss)/Profit after income tax	(2,678,340)	137,256
Total comprehensive (loss)/income	(2,678,340)	137,256

Statement of Financial Position

Current assets	5,981,796	6,210,423
Total assets	11,367,890	7,386,780
Current liabilities	(2,418,074)	(3,484,200)
Total liabilities	(5,767,494)	(5,546,075)
Net assets	5,600,396	1,840,705
Share capital	9,057,118	800,100
Reserves	131,443	1,950,430
Accumulated losses	(3,588,165)	(909,825)
Total Equity	5,600,396	1,840,705

(b) Guarantees entered into by the parent entity

The parent entity has given bank guarantees as at 30 June 2025 of \$42,684 (30 June 2024: \$102,903) to the lessor.

(c) Contingent liabilities of the parent entity

Other than the contingencies disclosed in Note 30, the parent entity did not have any other contingent liabilities at year end (2024: nil).

(d) Contractual commitments for capital expenditure

Other than the commitments disclosed in Note 29, the parent entity did not have any other commitment in relation to capital expenditure contracted but not recognised as liabilities as at reporting date (2024: nil).

32. Investment in Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name of entity	Country of Incorporation	Equity holding	
		2025	2024
		%	%
Merinosnug (Shanghai) Wool Products Co. Ltd	China	100	100

33. Events After the Reporting Period

There has been no matters or circumstances that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Merino & Co. Limited
Consolidated Entity Disclosure Statement
30 June 2025

Basis of preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the *Corporations Act 2001*, reflecting the amendments to section 295(3A)(vi) and (vii) which clarify the definition of foreign resident as being an entity that is treated as a resident of a foreign country under the tax laws of that foreign country. These amendments apply for financial years beginning on or after 1 July 2024. The CEDS includes certain information for each entity that was part of the consolidated entity at the end of the financial year in accordance with AASB 10 *Consolidated Financial Statements*.

Determination of Tax Residency

Section 295(3B)(a) of the *Corporation Acts 2001* defines Australian resident as having the meaning in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgement as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency. Section 295(3A)(a)(vii) requires the determination of tax residency in a foreign jurisdiction to be based on the law of the foreign jurisdiction relating to foreign income tax.

In determining tax residency, the consolidated entity has applied the following interpretations:

- **Australian tax residency**

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

- **Foreign tax residency**

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in determining tax residency in those foreign jurisdictions and ensure compliance with applicable foreign tax legislation.

Name of Entity	Entity type	Place of Incorporation	% of share capital held in 2025	Australian resident	Foreign jurisdiction(s) in which the entity is a resident for tax purposes (according to the law of the foreign jurisdiction)
Merino & Co Limited	Body corporate	Australia	N/A	Yes	N/A
Merinosnug (Shanghai) Wool Products Co. Ltd	Body corporate	China	100%	No	China

Merino & Co. Limited Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2025 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached Consolidated Entity Disclosure Statement is true and correct.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Fiona (Fang) Yue

Managing Director

29 August 2025

Independent auditor's report to the members of Merino & Co. Limited

Report on the audit of the financial report



Our opinion on the financial report

In our opinion, the accompanying financial report of Merino & Co. Limited (the Company) and its subsidiary (the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2025 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

- the consolidated statement of financial position as at 30 June 2025,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition	Area of focus (refer also to Note 2 (f), Note 26)	How our audit addressed the key audit matter
	<p>The Group recognised consolidated revenue of \$3,509,023 for the year ended 30 June 2025 (30 June 2024: \$5,495,638), primarily from the design, manufacture and sale of wool products.</p> <p>Revenue recognition is inherently a key area of focus under AASB 15 <i>Revenue from Contracts with Customers</i> as it requires judgement in determining the timing of revenue recognition, particularly in assessing when control of goods has transferred to customers.</p> <p>We identified revenue recognition as a key audit matter due to:</p> <ul style="list-style-type: none">— The presumed risk of fraud in revenue recognition under ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>;— Revenue being a key performance indicator subject to focus from both management and external stakeholders; and— The risk of revenue being recorded in an incorrect period (cut-off) or without the underlying transfer of control.	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— Obtaining an understanding of the Group's revenue recognition policies and evaluating whether they are consistent with the requirements of AASB 15.— Performing walkthroughs of key revenue streams to assess the design and implementation of relevant internal controls.— Testing a sample of revenue transactions by agreeing to supporting documentation, such as sales invoices, customer purchase orders, and shipping/delivery records, to confirm the occurrence of revenue and the transfer of control.— Performing cut-off testing around year-end to evaluate whether revenue was recognised in the correct reporting period.— For revenue of the subsidiary, evaluating the component auditor's workpapers to assess the appropriateness of revenue recognition and ensuring that revenue recognised was complete, had occurred, and was recorded in the correct accounting period.

**Existence and
Valuation of
Inventories**

**Area of focus
(refer also to Note 2 (k), Note 8)**

The Group held inventories of \$3,603,381 at 30 June 2025 (30 June 2024: \$2,529,952), comprising of raw materials, work in progress and finished goods.

Inventories are required to be measured at the lower of cost and net realisable value under AASB 102 *Inventories*. This involves judgement by management in assessing net realisable value, including consideration of expected future sales prices, costs to sell, and the identification of slow-moving or obsolete stock.

We identified this area as a key audit matter due to:

- The size of the inventory balance, which is significant to the Group's financial position; and
- The inherent judgement involved in determining net realisable value, particularly in relation to slow-moving and obsolete stock, which increases the risk of inventories being overstated.

**How our audit addressed the key
audit matter**

Our audit procedures included:

- Observing and attending the year-end inventory counts to assess the existence and condition of inventory.
- Testing management's assessment of inventory recoverability, including analysis of aged inventory reports to identify slow-moving or obsolete items.
- Evaluating the net realisable value of selected inventory items by reference to subsequent selling prices and costs to complete/sell.
- Performing cut-off testing to confirm that inventory quantities and related revenue were recorded in the appropriate period.
- For the subsidiary, reviewing the component auditor's workpapers to assess the appropriateness of the valuation of inventories at 30 June 2025.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2025, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report



Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of Merino & Co. Limited, for the year ended 30 June 2025, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2025.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Deborah Chin

Deborah Chin

Director

Dated this 29th day of August 2025

Merino & Co Limited Additional ASX Information

The shareholder information set out below was applicable as at 28 August 2025.

Top holders

The 20 largest registered holders of each class of quoted equity security as at 28 August 2025:

Fully paid ordinary shares – quoted

	Name	Number held	% of total shares quoted
1.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,000,000	18.84
2.	RENRISE PTY LTD	7,745,000	14.59
3.	DEAKEN & ASSOCIATES PTY LTD	5,000,000	9.4
4.	AUSTRALIAN NATURAL ALLIANCE PTY LTD	4,664,270	8.79
5.	AWN FOOD & FIBRE HOLDINGS PTY LTD	4,000,000	7.54
	HEJAZ ASSET MANAGEMENT PTY LTD <HEJAZ GLOBAL ETHICAL		
6.	FUND>	3,333,000	6.28
7.	MARTANNMAR PTY LTD	1,500,000	2.83
8.	WINGADANGEE PTY LTD	1,500,000	2.83
9.	ZI HUANG	1,500,000	2.83
10.	CARRAMELON PTY LTD	1,250,000	2.36
11.	ACLINK CONSULTATION PROMOTION & DISTRIBUTION PTY LTD	1,200,000	2.26
12.	WOOLTECH GROUP PTY LTD	1,000,000	1.88
13.	YUHU SUN & HUI YANG	1,000,000	1.88
14.	BUTTERFLY TRADING PTY LTD	500,000	0.94
15.	WOOL & SHE PROPRIETY LIMITED	500,000	0.94
16.	MR JUNLIN WANG <WANG & YUE FAMILY A/C>	500,000	0.94
17.	QUPIT PTY LTD	266,222	0.50
18.	SOUTHERN SUCCESS (WA) PTY LTD	250,000	0.47
19.	BRAJEN PTY LIMITED <BRAJEN SUPER FUND A/C>	250,000	0.47
20.	MR YONGCHUN WANG & MS RUIHONG GAO <WANG FAMILY A/C>	227,500	0.43
		46,185,992	87.02

Unquoted equity securities

	Number on issue	Number of holders
Fully paid ordinary shares	20,700,000	4
Options exercisable at \$0.30 each on or before 28 October 2027	300,000	1

Registered holders holding 20% or more of each class of unquoted security as at 28 August 2025:

Fully paid ordinary shares - unquoted

Name	Number held
FANG YUE	10,200,000
TAIZONG KANG	9,800,000

Options exercisable at \$0.30 each on or before 28 October 2027 - unquoted

Name	Number held
LODGE CORPORATE SERVICES PTY LTD	300,000

Merino & Co Limited Additional ASX Information

Distribution schedules

A distribution schedule of each class of equity security as at 28 August 2025:

<i>Fully paid ordinary shares</i>					
	Range		Holders	Units	%
1	-	1,000	53	31,721	0.04
1,001	-	5,000	103	280,840	0.38
5,001	-	10,000	210	2,013,669	2.73
10,001	-	100,000	93	3,301,506	4.48
100,001	-	Over	31	68,148,834	92.37
Total			490	73,776,570	100.00

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number held	% of total shares issued
Fang (Fiona) Yue and Taizong (Tim) Kang	23,497,270	31.85
AWN Food & Fibre Holdings Pty Ltd	4,000,000	5.42

Restricted securities or securities subject to voluntary escrow

Class	Expiry date	Number
Fully paid ordinary shares	30/10/2026	20,700,000
Options exercisable at \$0.30 each on or before 28 October 2027	30/10/2026	300,000

Unmarketable parcels

Holdings less than a marketable parcel of fully paid ordinary shares (being 3,572 shares as at 28 August 2025):

Holders	Units
134	214,767

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

Principles of Good Corporate Governance and Recommendations

The Board has adopted and approved the Company's 2025 Corporate Governance Statement, which can be found on the Company's website at <https://merinoandco.com.au/pages/corporate-governance-statement-2025>

Statement for ASX Listing Rule 4.10.19

The Company confirms that since admission to the Official List of ASX, it has used its cash and assets in a form readily convertible to cash, in a manner consistent with its business objectives, as set out in the Prospectus dated 2 August 2024.