

1. Company details

Name of entity:	Merino & Co. Limited
ABN:	74 162 863 121
Reporting period:	For the half-year ended 31 December 2025
Previous period:	For the half-year ended 31 December 2024

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	60.5% to	942,010
Loss from ordinary activities after tax attributable to the owners of Merino & Co. Limited	up	28.2% to	(1,527,806)
Loss for the half-year attributable to the owners of Merino & Co. Limited	up	28.2% to	(1,527,806)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$1,527,806 (31 December 2024: \$1,191,867).

Brief explanation of reported figures

The Company reported a net loss for the period, primarily reflecting a strategic investment phase, rather than an underlying weakness in demand. During the period, the Company expanded production capacity, enhanced brand positioning, and built inventory in preparation for wholesale execution. These investments are expected to enable a transition from investment-led growth to revenue acceleration and improved operating leverage in subsequent periods.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	5.70	8.62

4. Control gained over entities

Not applicable.

5. Dividends

Current period

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

Previous period

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

6. Audit qualification or review

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

Merino & Co. Limited

ABN 74 162 863 121

Interim Report - 31 December 2025

Directors	Mr Steven Woolley Non-Executive Chairman Ms Fang (Fiona) Yue Managing Director Mr Boxiang (Peter) Zhao 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
Share register	Automic Pty Ltd Level 5, 191 St Georges Terrace, Perth WA 6000
Auditor	William Buck Audit (WA) Pty Ltd Level 3, 15 Labouchere Road, South Perth WA 6151
Solicitors	HWL Ebsworth Lawyers Level 20, 240 St Georges Terrace, Perth, WA 6000
Stock exchange listing	Merino & Co. Limited shares are listed on the Australian Securities Exchange (ASX code: MNC)

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Merino & Co. Limited (referred to hereafter as the 'Company') and the entity it controlled during the half-year ended 31 December 2025.

Directors

The following persons were directors of Merino & Co. Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ms Fang (Fiona) Yue
Mr Boxiang (Peter) Zhao
Mr Steven Woolley (appointed 15 October 2025)
Mr Jack Hanrahan (resigned 17 September 2025)
Mr Taizong (Tim) Kang (appointed 23 September 2025, resigned 15 October 2025)

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of:

- design, manufacturing and sale of variety of wool products

Review of operations

The loss for the Group after providing for income tax amounted to \$1,527,806 (31 December 2024: \$1,191,867).

This result reflects a strategic investment phase focused on scaling operations, specifically in product manufacturing and delivery, marketing and advertising, and team expansion, to support expanded commercial activities, strengthen brand presence, and establishing the foundations for long-term growth.

Expanding production capacity

During the period, the Company invested significantly in expanding production capacity to support anticipated demand growth across domestic and international markets. This included increased manufacturing runs, supply chain development, and strategic procurement of raw materials. While these initiatives increased operating expenses in the short term, they position the business to achieve improved gross margins and operational leverage as sales volumes increase.

Preparation stock for wholesale orders

In preparation for wholesale distribution and larger commercial orders, the Company increased inventory holdings. This strategic build-up ensures product availability, reduces lead times, and strengthens relationships with wholesale partners. The associated upfront production and holding costs impacted short-term profitability but are expected to convert into revenue in the upcoming financial periods.

Marketing and branding (including online platforms)

Investment in marketing and brand development accelerated during the year. Expenditure included digital marketing campaigns, e-commerce platform enhancements, content production, and brand positioning initiatives. These investments were directed toward increasing brand awareness, expanding customer acquisition channels, and strengthening the Company's online presence to support scalable revenue growth.

Research & development

The Company continued to invest in research and development to enhance product innovation, material performance, and sustainability credentials. R&D initiatives focused on improving product functionality, exploring new fabric technologies, and refining design to maintain competitive differentiation. These activities are core to long-term value creation and brand equity.

Corporate expenses

Corporate expenses increased in line with the Company's growth strategy. This included investment in governance, advisory services, compliance, finance, and operational personnel required to support a scaling business. Strengthening corporate infrastructure ensures readiness for wholesale partnerships, potential strategic collaborations, and future capital market activity.

Working capital

Working capital requirements increased during the period due to higher inventory levels and extended trade terms associated with wholesale expansion. The Company prioritised maintaining adequate liquidity to support production cycles, marketing initiatives, and operational growth.

Governance

Costs associated with governance were incurred during the period, including legal, advisory, and transaction expenses. These costs were necessary for the Company to stay compliant as a publicly listed entity to support its long-term growth.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

Since 31 December 2025, the Company has secured a purchase order with its Australian distribution partner valued at \$300,000. This transaction forms part of the Company's ongoing strategy to rebuild and strengthen its domestic wholesale operations.

Other than the above, at the date of this report, no other matter or circumstance has arisen since 31 December 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.

Auditor's independence declaration

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

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

On behalf of the Directors



Fiona (Fang) Yue
Managing Director

27 February 2026

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 review of Merino & Co. Limited for the half-year ended 31 December 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

William Buck

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

Deborah Chin

Deborah Chin
Director
Dated this 27th day of February 2026

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General information

The financial statements cover Merino & Co. Limited as a Group consisting of Merino & Co. Limited and the entity it controlled during the half-year. The financial statements are presented in Australian dollars, which is Merino & Co. Limited's functional and presentation currency.

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

4 Quartz Way, Wangara WA 6065

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 February 2026.

Merino & Co. Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2025

MERINO&C^o

	Note	31 December 2025 \$	31 December 2024 \$
Revenue	3	942,010	2,384,451
Other income		25,482	16,983
Interest revenue		2,974	4,028
Expenses			
Changes in inventories		115,031	(222,225)
Purchase of inventories		(849,449)	(2,061,540)
Listing expense		(16,631)	(157,527)
Employee benefits expense		(476,269)	(446,354)
Interest expense		(148,453)	(163,483)
Depreciation and amortisation expense		(197,587)	(146,869)
Impairment of receivables		-	(186,523)
Rental expense		(102,637)	(52,801)
Consulting expense		(56,775)	-
Foreign currency loss		(2,334)	(43,504)
Other expenses		(187,000)	(325,746)
Share-based payments	4,16	(159,187)	-
Marketing		<u>(416,981)</u>	<u>(186,181)</u>
Loss before income tax benefit		(1,527,806)	(1,587,291)
Income tax benefit	5	<u>-</u>	<u>395,424</u>
Loss after income tax benefit for the half-year attributable to the owners of Merino & Co. Limited		(1,527,806)	(1,191,867)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>8,576</u>	<u>(8,196)</u>
Other comprehensive loss for the half-year, net of tax		<u>8,576</u>	<u>(8,196)</u>
Total comprehensive loss for the half-year attributable to the owners of Merino & Co. Limited		<u>(1,519,230)</u>	<u>(1,200,063)</u>
		Cents	Cents
Basic loss per share	22	(2.07)	(2.77)
Diluted loss per share	22	(2.07)	(2.77)

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 31 December 2025

MERINO&C^o

	Note	31 December 2025 \$	30 June 2025 \$
Assets			
Current assets			
Cash and cash equivalents		1,166,876	2,973,644
Trade and other receivables	6	728,714	374,706
Inventories	7	3,720,362	3,603,381
Other financial assets at amortised cost		105,572	105,572
Other assets	8	467,570	578,770
Total current assets		<u>6,189,094</u>	<u>7,636,073</u>
Non-current assets			
Investment properties	9	406,235	411,713
Property, plant and equipment	10	714,624	732,570
Right-of-use assets	11	1,268,454	1,348,567
Intangibles assets	12	55,181	72,002
Other assets		60,989	61,224
Total non-current assets		<u>2,505,483</u>	<u>2,626,076</u>
Total assets		<u>8,694,577</u>	<u>10,262,149</u>
Liabilities			
Current liabilities			
Trade and other payables		521,789	324,094
Borrowings	13,14	751,931	765,497
Lease liabilities		103,237	95,780
Employee benefits		197,256	171,764
Total current liabilities		<u>1,574,213</u>	<u>1,357,135</u>
Non-current liabilities			
Borrowings	14,13	1,698,139	2,069,511
Lease liabilities		1,226,674	1,279,909
Total non-current liabilities		<u>2,924,813</u>	<u>3,349,420</u>
Total liabilities		<u>4,499,026</u>	<u>4,706,555</u>
Net assets		<u>4,195,551</u>	<u>5,555,594</u>
Equity			
Issued capital	15	9,057,118	9,057,118
Reserves	16	336,887	169,124
Accumulated losses		(5,198,454)	(3,670,648)
Total equity		<u>4,195,551</u>	<u>5,555,594</u>

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 half-year ended 31 December 2025

MERINO&C^o

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2024	800,100	1,950,430	(909,825)	1,840,705
Loss after income tax benefit for the half-year	-	-	(1,191,867)	(1,191,867)
Other comprehensive loss for the half-year, net of tax	-	(8,196)	-	(8,196)
Total comprehensive loss for the half-year	-	(8,196)	(1,191,867)	(1,200,063)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	7,193,454	-	-	7,193,454
Convertible notes converted to equity	1,950,430	(1,950,430)	-	-
Issue of options	-	22,693	-	22,693
Share issue costs	(886,866)	-	-	(886,866)
Balance at 31 December 2024	9,057,118	14,497	(2,101,692)	6,969,923
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2025	9,057,118	169,124	(3,670,648)	5,555,594
Loss after income tax expense for the half-year	-	-	(1,527,806)	(1,527,806)
Other comprehensive income for the half-year, net of tax	-	8,576	-	8,576
Total comprehensive loss for the half-year	-	8,576	(1,527,806)	(1,519,230)
<i>Transactions with owners in their capacity as owners:</i>				
Adjustment for prior year pre-grant recognition	-	(87,000)	-	(87,000)
Share-based payments	-	246,187	-	246,187
Balance at 31 December 2025	9,057,118	336,887	(5,198,454)	4,195,551

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 half-year ended 31 December 2025

MERINO&C^o

	Note	31 December 2025 \$	31 December 2024 \$
Cash flows from operating activities			
Receipts from customers		350,148	3,659,470
Payments to suppliers and employees		<u>(1,533,406)</u>	<u>(5,047,814)</u>
		(1,183,258)	(1,388,344)
Interest received		845	2,802
Interest and other finance costs paid		(91,146)	(133,903)
Income tax refunded		<u>25,482</u>	<u>-</u>
Net cash used in operating activities		<u>(1,248,077)</u>	<u>(1,519,445)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(77,229)</u>	<u>(402,000)</u>
Net cash used in investing activities		<u>(77,229)</u>	<u>(402,000)</u>
Cash flows from financing activities			
Proceeds from issue of shares	15	-	6,354,000
Proceeds from borrowings - related parties		-	307,027
Share issue transaction costs		-	(892,317)
Repayment of borrowings		(384,939)	(388,771)
Repayment of lease liabilities		(100,064)	(85,070)
Repayment of hire purchase loan		<u>-</u>	<u>(16,693)</u>
Net cash from/(used in) financing activities		<u>(485,003)</u>	<u>5,278,176</u>
Net increase/(decrease) in cash and cash equivalents		(1,810,309)	3,356,731
Cash and cash equivalents at the beginning of the financial half-year		2,973,644	455,832
Effects of exchange rate changes on cash and cash equivalents		<u>3,541</u>	<u>-</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>1,166,876</u></u>	<u><u>3,812,563</u></u>

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

Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2025 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2025 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The 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.

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

Going concern

This report has been prepared on the going concern basis, which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 31 December 2025, the Group incurred a net loss after tax of \$1,527,806 (31 December 2024: \$1,191,867) and recorded net cash outflows from operating activities of \$1,248,077 (31 December 2024: \$1,519,445). As at 31 December 2025, the Group held cash and cash equivalents of \$1,166,876 (30 June 2025: \$2,973,644). These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of this financial report. These forecasts incorporate assumptions regarding the timing and quantum of expected revenue, committed customer orders, cost management initiatives and available funding resources. Based on these forecasts, the Directors expect that the Group will have sufficient funds to meet its anticipated working capital requirements and commitments as and when they fall due.

Notwithstanding the above, the Group's ability to continue as a going concern is dependent on the achievement of forecast cash inflows and/or the successful raising of additional capital, if required. Should the Group be unable to achieve the matters set out above, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, that might be necessary should the Group not be able to continue as a going concern.

The Directors are satisfied that there are reasonable grounds to believe that the Group will be able to raise additional working capital, if required. Potential funding initiatives available to the Group include, but are not limited to, a placement of shares, an entitlement offer, or adjustments to the Group's expenditure profile. Accordingly, the Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis.

Note 2. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: Australia and China. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of working capital.

Note 2. Operating segments (continued)

Operating segment information

	Australia \$	China \$	Total \$
31 December 2025			
Revenue			
Sales to external customers	336,659	605,351	942,010
Total segment revenue	<u>336,659</u>	<u>605,351</u>	<u>942,010</u>
<i>Unallocated revenue:</i>			
Interest revenue			2,974
Total revenue			<u>944,984</u>
Operating (loss)/profit	(1,606,930)	79,124	(1,527,806)
(Loss)/profit before income tax expense	<u>(1,606,930)</u>	<u>79,124</u>	<u>(1,527,806)</u>
Income tax expense			-
Loss after income tax expense			<u>(1,527,806)</u>
Assets			
Segment assets	6,828,087	1,866,490	8,694,577
Total assets			<u>8,694,577</u>
Liabilities			
Segment liabilities	4,475,026	24,000	4,499,026
Total liabilities			<u>4,499,026</u>
31 December 2024			
Revenue			
Sales to external customers	1,208,905	1,175,546	2,384,451
Total segment revenue	<u>1,208,905</u>	<u>1,175,546</u>	<u>2,384,451</u>
<i>Unallocated revenue:</i>			
Interest revenue			4,028
Total revenue			<u>2,388,479</u>
Operating loss	(870,820)	(716,471)	(1,587,291)
Loss before income tax benefit	<u>(870,820)</u>	<u>(716,471)</u>	<u>(1,587,291)</u>
Income tax benefit			395,424
Loss after income tax benefit			<u>(1,191,867)</u>
30 June 2025			
Assets			
Segment assets	8,597,215	1,664,934	10,262,149
Total assets			<u>10,262,149</u>
Liabilities			
Segment liabilities	4,685,905	20,650	4,706,555
Total liabilities			<u>4,706,555</u>

Note 3. Revenue

	31 December 2025	31 December 2024
	\$	\$
Revenue from contracts with customers		
Sales of goods	<u>942,010</u>	<u>2,384,451</u>

Disaggregation of revenue

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

	Consolidated	
	31 December 2025	31 December 2024
	\$	\$
<i>Geographical regions</i>		
Australia	336,659	1,208,905
China	<u>605,351</u>	<u>1,175,546</u>
	<u>942,010</u>	<u>2,384,451</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>942,010</u>	<u>2,384,451</u>

Note 4. Share-based payments

The company provides share-based remuneration to key management personnel (KMP) in the form of shares and performance rights, approved by shareholders at the Annual General Meeting (AGM) held on 28 November 2025. These arrangements are designed to align the interests of KMP with those of shareholders and to provide long-term incentives.

Shares issued to directors as remuneration

At the AGM, shareholders approved the issue of 350,000 ordinary shares to directors as part of their remuneration. The grant date is considered to be the AGM date. The fair value of the shares were determined based on the market price at the grant date, being \$0.13 per share.

Prior year recognition and grant date adjustment

During the prior financial year, the Company recognised a share-based payment expense of \$108,750 in respect of shares proposed to be issued to directors before shareholder approval. One proposed issuance did not receive approval, and the prior year expense of \$87,000 was reversed in the current period. The remaining shares to be issued were revalued at the grant date. This revaluation resulted in a decrease of \$2,250 which has been recognised in the current period.

As a result of the recognition of the grant date fair value of shares approved for issue at the AGM, together with the reversal of previously recognised expense for shares not approved by shareholders and the grant date fair value adjustment of the remaining shares to be issued, the total share-based payment expense relating to director share arrangements resulted in a net reduction in share-based payment expenses of \$63,250 recognised in profit or loss for the current period.

Note 4. Share-based payments (continued)

Set out below are summaries of shares granted under the plan:

	Number of shares 31 December 2025	Weighted average exercise price 31 December 2025	Number of shares 30 June 2025	Weighted average exercise price 30 June 2025
Outstanding at the beginning of the financial half-year	750,000	\$0.00	-	\$0.00
Pre-grant recognition	-	\$0.00	750,000	\$0.00
Reversal of prior year pre-grant recognition	(750,000)	\$0.00	-	\$0.00
Granted	350,000	\$0.00	-	\$0.00
Outstanding at the end of the financial half-year	<u>350,000</u>	\$0.00	<u>750,000</u>	\$0.00
Exercisable at the end of the financial half-year	<u>350,000</u>	\$0.00	<u>-</u>	\$0.00

Performance rights issued under incentive plans

Shareholders also approved the grant of 4,300,000 performance rights under the company's incentive plan at the AGM. Each performance rights entitles the holder to acquire one ordinary share upon satisfaction of specified performance conditions.

The fair value of the performance rights were determined using the Trinomial valuation model. The total share-based payment expense relating to performance rights to be issued to KMPs is \$222,437, which has been recognised in profit or loss for the current period.

Set out below are summaries of performance rights granted under the plan:

	Number of rights 31 December 2025	Weighted average exercise price 31 December 2025	Number of rights 30 June 2025	Weighted average exercise price 30 June 2025
Outstanding at the beginning of the financial half-year	-	\$0.00	-	\$0.00
Granted - tranche 1	1,075,000	\$0.00	-	\$0.00
Granted - tranche 2	1,075,000	\$0.00	-	\$0.00
Granted - tranche 3	1,075,000	\$0.00	-	\$0.00
Granted - tranche 4	1,075,000	\$0.00	-	\$0.00
Outstanding at the end of the financial half-year	<u>4,300,000</u>	\$0.00	<u>-</u>	\$0.00

For the performance rights granted during the current financial half-year, the trinomial valuation model inputs used to determine the fair value at the grant date, are as follows:

	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Total Fair value
Tranche 1	28/11/2025	28/11/2030	\$0.13	\$0.00	84.00%	-	4.05%	\$0.000	\$0
Tranche 2	28/11/2025	28/11/2030	\$0.13	\$0.00	84.00%	-	4.05%	\$0.000	\$0
Tranche 3	28/11/2025	28/11/2030	\$0.13	\$0.00	84.00%	-	4.05%	\$0.108	\$116,180
Tranche 4	28/11/2025	28/11/2030	\$0.13	\$0.00	84.00%	-	4.05%	\$0.099	\$106,257

Note 4. Share-based payments (continued)

The performance rights are granted based on the following terms and conditions:

- (i) Each performance right entitled the holder to subscribe for one share upon exercise of each performance right.
- (ii) Shares issued on exercise of the performance rights rank equally with the shares of the Company.
- (iii) A performance right may be exercised not later than its expiry date and may only be exercised after the performance right has vested and all conditions associated with the exercised of the performance right have been satisfied.
- (iv) Performance rights will vest in four equal quantities, pursuant to specific vesting conditions for each tranche as outlined below:

Tranche 1: The Company achieving audited revenue (excluding extraordinary revenue items) of at least \$10,000,000 in any financial year after the date of issue.

Tranche 2: The Company achieving audited revenue (excluding extraordinary revenue items) of at least \$15,000,000 in any financial year after the date of issue.

Tranche 3: The Company achieving a market capitalisation of at least \$25,000,000, calculated using the VWAP of shares over a continuous period of 20 trading days on which the shares have been traded.

Tranche 4: The Company achieving a market capitalisation of at least \$35,000,000, calculated using the VWAP of shares over a continuous period of 20 trading days on which the shares have been traded.

Note 5. Income tax benefit

	31 December 2025 \$	31 December 2024 \$
<i>Income tax benefit</i>		
Current tax	-	(359,324)
Deferred tax - origination and reversal of temporary differences	-	(36,100)
Aggregate income tax benefit	<u>-</u>	<u>(395,424)</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(1,527,806)	(1,587,291)
Tax at the statutory tax rate of 25%	(381,952)	(396,823)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	39,797	37,499
Deferred tax - origination and reversal of temporary differences	39,984	(36,100)
Deferred tax assets relating to tax losses not recognised	302,171	-
Income tax benefit	<u>-</u>	<u>(395,424)</u>

The benefit of unused tax losses of \$1,066,958 has not been brought to account at 31 December 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:

- (i) 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;
- (ii) The Company and its subsidiaries continue to comply with the conditions for the deductibility imposed by law; and
- (iii) No changes in the tax legislation adversely affect the Company and its subsidiaries in realising the benefit of the losses.

Note 6. Current assets - Trade and other receivables

	31 December 2025	30 June 2025
	\$	\$
Trade receivables	813,537	233,981
Less: Allowance for expected credit losses	<u>(169,795)</u>	<u>(169,795)</u>
	<u>643,742</u>	<u>64,186</u>
Other receivables	80,726	308,403
Interest receivable	<u>4,246</u>	<u>2,117</u>
	<u><u>728,714</u></u>	<u><u>374,706</u></u>

Allowance for expected credit losses

The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	31 December		31 December		31 December	
	2025	30 June 2025	2025	30 June 2025	2025	30 June 2025
	%	%	\$	\$	\$	\$
Not overdue	-	-	589,612	49,207	-	-
0 to 3 months overdue	-	-	46,774	14,979	-	-
3 to 6 months overdue	-	-	7,356	-	-	-
Over 6 months overdue	100%	100%	<u>169,795</u>	<u>169,795</u>	<u>169,795</u>	<u>169,795</u>
			<u><u>813,537</u></u>	<u><u>233,981</u></u>	<u><u>169,795</u></u>	<u><u>169,795</u></u>

Note 7. Current assets - Inventories

	31 December 2025	30 June 2025
	\$	\$
Raw materials	312,013	386,280
Work in progress	175,075	12,480
Finished goods	3,048,303	3,204,621
Stock in transit	<u>184,971</u>	<u>-</u>
	<u><u>3,720,362</u></u>	<u><u>3,603,381</u></u>

Note 8. Current assets - Other assets

	31 December 2025	31 December 2024
	\$	\$
Prepayments	<u>467,570</u>	<u>578,770</u>

Note 9. Non-current assets - Investment properties

	31 December 2025	30 June 2025
	\$	\$
Commercial building - at cost	543,373	543,373
Less: Accumulated depreciation	<u>(137,138)</u>	<u>(131,660)</u>
	<u><u>406,235</u></u>	<u><u>411,713</u></u>

Note 10. Non-current assets - Property, plant and equipment

	31 December 2025	30 June 2025
	\$	\$
Plant and equipment - at cost	1,149,886	1,080,795
Less: Accumulated depreciation	<u>(441,143)</u>	<u>(363,941)</u>
	<u>708,743</u>	<u>716,854</u>
Motor vehicles - at cost	166,189	166,189
Less: Accumulated depreciation	<u>(160,308)</u>	<u>(150,473)</u>
	<u>5,881</u>	<u>15,716</u>
	<u><u>714,624</u></u>	<u><u>732,570</u></u>

Reconciliations

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

	Plant and equipment	Motor vehicles	Total
	\$	\$	\$
Balance at 1 July 2025	716,854	15,716	732,570
Additions	69,091	-	69,091
Depreciation expense	<u>(77,202)</u>	<u>(9,835)</u>	<u>(87,037)</u>
Balance at 31 December 2025	<u><u>708,743</u></u>	<u><u>5,881</u></u>	<u><u>714,624</u></u>

Note 11. Non-current assets - Right-of-use assets

	31 December 2025	30 June 2025
	\$	\$
Land and buildings - right-of-use	1,442,032	1,442,032
Less: Accumulated depreciation	<u>(173,578)</u>	<u>(93,465)</u>
	<u><u>1,268,454</u></u>	<u><u>1,348,567</u></u>

Note 11. Non-current assets - Right-of-use assets (continued)

The Group leases land and buildings for its office and warehouse located at 4 Quartz Way, Wangara WA 6065. The lease commenced on 20 November 2024 with an initial term of 4 years, with option to extend for a further 5 years. The lease agreement contains various escalation clauses. The lease does not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes.

Note 12. Non-current assets - Intangibles assets

	31 December 2025	30 June 2025
	\$	\$
Software - at cost	3,436	3,436
Less: Accumulated amortisation	(1,810)	(1,294)
	<u>1,626</u>	<u>2,142</u>
Trademarks acquired from third-party - at cost	120,126	111,988
Less: Accumulated amortisation	(72,931)	(48,488)
	<u>47,195</u>	<u>63,500</u>
Trademarks generated internally - at cost	<u>6,360</u>	<u>6,360</u>
	<u><u>55,181</u></u>	<u><u>72,002</u></u>

Note 13. Current liabilities - Borrowings

	31 December 2025	30 June 2025
	\$	\$
Loan - Management (i)	130,372	152,167
Loan - Bank - investment property (ii)	403,000	403,000
Loan - Bank - working capital (iii)	<u>218,559</u>	<u>210,330</u>
	<u><u>751,931</u></u>	<u><u>765,497</u></u>

(i) In July 2024, the Company entered into a loan agreement with a lender. Under the terms of the agreement, the principal amount of \$716,081 will be repaid in 60 equal monthly instalments of \$13,513 commencing in October 2025 and ending in September 2030. Interest will be charged at a rate of 5% per annum, effective from October 2025. The loan is unsecured as at the reporting date.

During the period, the Company made advance repayments in excess of the scheduled instalments under its loan agreement. These repayments have been applied against future obligations, reducing the outstanding principal balance.

(ii) The Company has a loan facility secured over its investment property located at 3/82 Christable Way, Landsdale WA 6065. The loan bears interest at a variable rate of 6.92% per annum. Interest-only repayments are required over the term of the facility. The loan matures on 30 April 2026.

(iii) The Company has a loan facility secured over the Company's present and future rights, property and undertaking. The facility is also supported by a personal guarantee provided by a Director. The loan bears current interest at 7.7% per annum and is repayable by monthly instalments, with the final repayment due in December 2031.

Note 14. Non-current liabilities - Borrowings

	31 December 2025	30 June 2025
	\$	\$
Loan - Management	359,664	619,719
Loan - Bank - working capital	1,338,475	1,449,792
	<u>1,698,139</u>	<u>2,069,511</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	31 December 2025	30 June 2025
	\$	\$
Loan - Management	490,036	771,886
Loan - Bank - working capital	1,557,034	1,660,122
Loan - Bank - investment property	403,000	403,000
	<u>2,450,070</u>	<u>2,835,008</u>

Please refer to note 13 for more details.

Note 15. Equity - Issued capital

	31 December 2025	30 June 2025	31 December 2025	30 June 2025
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>73,776,570</u>	<u>73,776,570</u>	<u>9,057,118</u>	<u>9,057,118</u>

Ordinary shares

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.

Note 16. Equity - Reserves

	31 December 2025	30 June 2025
	\$	\$
Foreign currency reserve	46,257	37,681
Share-based payments reserve	267,937	108,750
Options reserve	22,693	22,693
	<u>336,887</u>	<u>169,124</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

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.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency reserve \$	Share-based payments reserve \$	Options reserve \$	Total \$
Balance at 1 July 2025	37,681	108,750	22,693	169,124
Reversal of prior year pre-grant recognition	-	(87,000)	-	(87,000)
Foreign currency translation	8,576	-	-	8,576
Fair value adjustment	-	(2,250)	-	(2,250)
Share-based payments_shares	-	26,000	-	26,000
Share-based payments_performance rights	-	222,437	-	222,437
Balance at 31 December 2025	<u>46,257</u>	<u>267,937</u>	<u>22,693</u>	<u>336,887</u>

Note 17. Equity - Dividends

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

Note 18. Contingent liabilities

The Group has given bank guarantees as at 31 December 2025 of \$42,684 (30 June 2025:\$ 42,684) to the lessor.

Note 19. 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 development 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.

	31 December 2025	30 June 2025
	\$	\$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
R & D project funding	240,000	240,000

Note 20. Related party transactions

Parent entity

Merino & Co. Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 21.

Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

	31 December 2025	31 December 2024
	\$	\$
Payment for other expenses:		
Interest paid to key management personnel	5,923	22,363

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	31 December 2025	30 June 2025
	\$	\$
Current borrowings:		
Loan from key management personnel	130,372	152,167
Non-current borrowings:		
Loan from key management personnel	359,664	619,719

Please refer to note 13 & note 14 for more details.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 21. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2025 %	30 June 2025 %
Merinosnug (Shanghai) Wool Products Co. Ltd	China	100.00%	100.00%

Note 22. Earnings per share

	Consolidated	
	31 December 2025 \$	30 June 2025 \$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Merino & Co. Limited	<u>(1,527,806)</u>	<u>(1,191,867)</u>

	Consolidated	
	31 December 2025 \$	30 June 2025 \$
Loss after income tax attributable to the owners of Merino & Co. Limited	<u>(1,527,806)</u>	<u>(1,191,867)</u>

	Number	Number
	Weighted average number of ordinary shares used in calculating basic earnings per share	<u>73,776,570</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>73,776,570</u>	<u>42,936,739</u>
	Cents	Cents
Basic loss per share	(2.07)	(2.77)
Diluted loss per share	(2.07)	(2.77)

Note 23. Events after the reporting period

Subsequent to 31 December 2025, the Company secured a purchase order of \$300,000 from its Australian distribution partner, in line with its strategy to rebuild and strengthen the domestic wholesale footprint.

Other than the above, at the date of this report, no other matter or circumstance has arisen since 31 December 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.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2025 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Fiona (Fang) Yue
Managing Director

27 February 2026

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

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Merino & Co. Limited (the Company), and its subsidiary (the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2025 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2025,
- the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including material accounting policy information, and
- the directors' declaration.

Basis for conclusion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss after tax of \$1,527,806 during the half-year ended 31 December 2025 (31 December 2024: \$1,191,867) and net operating cash out flows of \$1,248,077 during the half-year ended 31 December 2025 (31 December 2024: \$1,519,445). As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the financial report

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

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2025 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

William Buck

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

Deborah Chin

Deborah Chin
Director

Dated this 27th day of February 2026