

Merino & Co. Limited And Its Controlled Entities

ABN 74 162 863 121

Annual Report

For the Financial Year Ended 30 June 2026

Directors	Mr Steven Woolley, Non-Executive Chairman Ms Fang (Fiona) Yue, Managing Director Mr Boxiang (Peter) Zhao, Non-Executive Director
Company secretary	Mr 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	Moore Australia Audit (WA) Exchange Plaza, 2 The Esplanade, Perth WA 6000
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 at the end of, or during, the year ended 30 June 2026.

Directors

The following persons were directors of Merino & Co. Limited during the whole of the financial 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 year the principal continuing activities of the Group consisted of:

- design, manufacturing and sale of variety of wool products

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to \$2,209,709 (30 June 2025: \$2,760,823).

This result reflects a year of strategic repositioning, in which the Company transitioned from a predominantly domestic, direct-to-consumer model toward a scalable, multi-channel distribution strategy spanning Australia and China. While operating losses continued, they narrowed by 20% year-on-year as the Company began to convert its investment-phase initiatives into commercial traction.

Manufacturing and production capacity

During the year, the Company continued to expand its manufacturing operations at the Wangara, Western Australia facility secured in November 2024. The fleet of over 20 automated weaving and knitting machines acquired post-IPO became fully operational, tripling the Company's manufacturing capacity and enabling it to fulfil larger wholesale orders with shorter lead times.

China market expansion

China represented a significant growth focus during the year, with revenue from the China segment increasing to \$1,369,692 (2025: \$607,822), a 125% increase year-on-year. China accounted for 61% of Group revenue, up from 17% in the prior year, reflecting a strategic pivot toward international distribution.

On 30 April 2026, the Company entered an exclusive distribution agreement for Mainland China with a Shanghai-based distributor, for an initial three-year term with a minimum annual order commitment of CNY 30 million (approximately AUD 6.5 million). Renewal is subject to performance and an agreed minimum growth rate of 20% per annum. The Company retains product supply, quality control and export, while the Distributor manages in-market sales, marketing and channel development. The agreement took effect two months before year end and its first full contract year falls in FY2027.

Domestic market and wholesale

The Company completed its strategic inventory clearance program and pivoted away from heavily discounted legacy stock toward its refreshed product range. During Q3 FY2026, the Company secured a \$300,000 domestic wholesale purchase order and re-entered airport retail through the Natural Collective store at Perth Airport.

Marketing and brand development

Marketing expenditure increased during the year as the Company invested in digital marketing campaigns, e-commerce platform enhancements, content production, and brand positioning. These investments were directed toward supporting the wholesale expansion and building brand awareness in both the domestic and Chinese markets.

Corporate and governance

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 and cash management

Working capital requirements increased during the period due to higher inventory levels and extended trade terms associated with the Company's wholesale expansion, particularly in the China market. The Company maintained adequate liquidity throughout the year, supported by disciplined cost management and improved operating cash flow in the June 2026 quarter. Subsequent to year-end, the Company raised \$1,010,000 (before costs) through a share placement to fund the launch of the YÙE sub-brand and support ongoing working capital needs, further strengthening the Company's liquidity position heading into FY2027.

Material Business Risks

There are a number of material risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance and prospects of the Company and the value of its shares. Some of these risks may be mitigated by the Group's internal controls and processes but some are outside the control of the Company, its Directors and management. The material risks identified by management are described below:

Wholesale customer risk

The Company is exposed to the risk of losing major wholesale customers or experiencing a reduction in orders from existing customers. Wholesale customers may reduce their purchase due to changes in consumer demand, financial difficulties, competitive pressures or changes in their own business strategies. A significant reduction in orders from key customers could adversely affect the Company's revenue and profitability.

Competition risk

The apparel industry is highly competitive and subject to rapidly changing consumer preference and fashion trends. Increased competition or changes in customer preference may reduce demand for the Company's projects and place pressure on wholesale pricing and profit margins.

Logistic and supply chain disruption

There remains a risk that the global logistics disruptions continue. Disruption may result from economic disruptions, conflict, or pandemic related disruptions on Merino & Co's supply chain.

Environmental risk

The Company is exposed to environmental risks associated with the sourcing and availability of raw materials used in the production of apparel. Climate change, extreme weather events, natural disasters and resource scarcity may disrupt the supply of the key materials. These disruptions may result in shortages, increased raw materials prices and delays in production, which could adversely affect the Company's operating costs, profitability and ability to fulfil customer orders.

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from its international sales and overseas procurement activities. Procurement arrangements are primarily denominated in Australian dollars and Chinese yuan, while the Company sells its products in Australian dollars and Chinese yuan. Accordingly, movements in exchange rates may affect the Australian dollar value of the Company's revenues and the cost of its overseas procurement, which may impact margins and profitability.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 9 September 2026, the Company issued 10,100,000 ordinary shares to raise capital of \$1,010,000 (before costs) through a placement.

Other than the above, at the date of this report, no other matter or circumstance has arisen since 30 June 2026 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 FY26 results reflect a period of strategic investment and transformation, the Company has continued to develop its capabilities across domestic and international markets. During the year, the Company increased production capacity, expanded its product range, strengthened its digital platforms, and continued to embed its ESG priorities. These initiatives provide a foundation for the Company's ongoing development as it continues to assess opportunities and respond to market conditions 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:	Ms Fang (Fiona) Yue
Title:	Managing Director
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 a Master 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 (last 3 years):	Nil
Interests in shares:	10,200,000 ordinary shares
Interests in performance rights:	2,000,000

Directors' report

30 June 2026

Name: Mr Boxiang (Peter) Zhao
 Title: Non-Executive Director
 Date of appointment: 23 January 2024
 Qualifications: Master of Business Administration, Bachelor of Accounting and Finance, FCPA Australia
 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, Australia 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 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 (last 3 years): Nil
 Interests in shares: 150,000 ordinary shares
 Interests in performance rights: 100,000

Name: Mr Steven Woolley
 Title: Non-Executive Chairman
 Date of appointment: 15 October 2025
 Qualifications: Master of Business Administration
 Experience and expertise: Mr Woolley brings more than 20 years of experience driving growth and transformation for iconic heritage and global performance brands across Australia, Europe, North America and Asia. Mr Woolley is the founder of What We're Made Of (WWMO), a practice dedicated to strengthening strategy, leadership and systems that connect business performance with social and cultural value. Mr Woolley has a proven record in building high-performance teams, driving market expansion and elevating customer experiences. He holds a Master of Business Administration and accreditation in Integrative Development Coaching. Mr Woolley's career spans C-suite and advisory roles with iconic Australian consumer and lifestyle brands such as R.M. Williams and Akubra, both portfolio companies of Tattarang, as well as senior leadership positions with multinational sportswear company Adidas.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Interests in shares: Nil
 Interests in performance rights: 200,000

Directors' report

30 June 2026

Name: Mr Jack Hanrahan
 Title: Non-Executive Chairman
 Date of appointment: 19 September 2022 and resigned on 17 September 2025
 Qualifications: Master of Management
 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, multiple 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 Australian Institute of Company Directors, has a Master Degree in Management from Macquarie University.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Interests in shares: Nil
 Interests in performance rights: Nil

Name: Mr Taizong (Tim) Kang
 Title: Non-Executive Director
 Date of appointment: 23 September 2025, and resigned on 15 October 2025
 Qualifications: Bachelor of Engineering
 Experience and expertise: Mr Kang is a qualified electromechanical engineer with expertise in the trade, manufacture and supply chain optimisation of cashmere and wool products. His substantive role with the Company is Operations General Manager, in which he has contributed to the Company's development as a premium Australian brand through innovation in manufacturing and distribution. During his appointment as Interim Non-Executive Director, Mr Kang continued to perform his substantive responsibilities as Operations General Manager.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Interests in shares: 9,800,000 ordinary shares
 Interests in performance rights: 2,000,000

'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 (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') held during the year ended 30 June 2026, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Fang (Fiona) Yue	3	3
Boxiang (Peter) Zhao	3	3
Steven Woolley	1	1
Jack Hanrahan	2	2
Taizong (Tim) Kang	-	-

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The Board of Directors ('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 the remuneration practices are:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

Non-executive directors remuneration

Non-executive directors' fees are determined within the non-executive directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently set at \$500,000 per annum.

Executive remuneration

Fixed remuneration for executive KMPs consists of base compensation (which is calculated on a total cost basis) 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 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.

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

Details of performance rights granted during the year are disclosed below.

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.

Consolidated entity 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.

	2026	2025	2024	2023	2022
Profit/(loss) for the year after tax	(2,209,709)	(2,760,823)	137,256	486,214	446,729
Basic earnings/(loss) per share (cents)	(2.99)	(4.74)	0.57	2.01	1.86
Dividends paid	-	-	-	-	-
Share price*	\$0.09	\$0.145	-	-	-

**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.*

Due to the Company being recently listed, the Company's earnings are not considered to be a principal performance indicator. However, the overall level of KMP remuneration takes into account the achievement of strategic objectives and share price.

Voting and comments made at the Company's 2025 Annual General Meeting ('AGM')

At the 2025 AGM, 76.21% of the votes received supported the adoption of the remuneration report for the year ended 2025. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Merino & Co. Limited:

- Ms Fang (Fiona) Yue*
- Mr Steven Woolley (appointed 15 October 2025)
- Mr Boxiang (Peter) Zhao
- Mr Jack Hanrahan (resigned 17 September 2025)

And the following person:

- Mr Taizong (Tim) Kang (Mr Kang was appointed as Interim Director on 23 September 2025 and served until 15 October 2025, while continuing in his substantive role as Operations General Manager.)

** Ms F Yue is also the spouse of Mr T Kang.*

	Short-term benefits	Post- employment benefits	Share-based payments		%
	Cash salary and fees \$	Super- annuation \$	Equity- settled \$	Total \$	Performance based \$
2026					
<i>Non-Executive Directors:</i>					
Mr S Woolley ¹	86,515	-	17,236	103,751	17%
Mr B Zhao	42,000	-	18,284	60,284	30%
Mr J Hanrahan ^{2,4}	13,500	-	(87,000)	(73,500)	-
<i>Executive Directors:</i>					
Ms F Yue	160,000	19,200	20,692	199,892	10%
<i>Other Key Management Personnel:</i>					
Mr T Kang ³	200,000	24,000	20,692	244,692	8%
	502,015	43,200	(10,096)	535,119	-

	Short-term benefits	Post- employment benefits	Share-based payments		%
	Cash salary and fees \$	Super- annuation \$	Equity- settled \$	Total \$	Performance based \$
2025					
<i>Non-Executive Directors:</i>					
Mr B Zhao	36,174	-	21,750	57,924	38%
Mr J Hanrahan ^{2,4}	40,500	-	87,000	127,500	68%
<i>Executive Directors:</i>					
Ms F Yue	160,615	18,489	-	179,104	-
<i>Other Key Management Personnel:</i>					
Mr T Kang ³	200,769	23,112	-	223,881	-
	438,058	41,601	108,750	588,409	-

Notes:

1. Mr S Woolley was appointed on 15 October 2025.
2. Mr J Hanrahan resigned on 17 September 2025.
3. Mr T Kang was appointed to the Board as an interim Director on 23 September 2025 and resigned on 15 October 2025.
4. During the year ended 30 June 2025, the Company recognised \$87,000 in share-based payment expense in respect of shares proposed to be issued to Mr J Hanrahan, subject to shareholder approval. The proposed issue did not receive shareholder approval and, accordingly, the shares were not issued. The \$87,000 share-based payment expense recognised in the prior year was reversed during the current financial year.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Ms Fang (Fiona) Yue
Title: Managing Director
Agreement commenced: 1 November 2020
Details: Base salary for the year ending 30 June 2026 of \$160,000 per annum plus superannuation. Termination by either party will be subject to the minimum notice requirements prescribed by the *Fair Work Act 2009 (Cth)*. Any termination payment will be limited to the minimum entitlements required under the *Fair Work Act 2009 (Cth)*.

Name: Mr Boxiang (Peter) Zhao
Title: Non-Executive Director
Agreement commenced: 23 January 2024
Details: Enter into a service agreement with the Company in the form of a letter of appointment. Annual remuneration of \$42,000 per annum. The appointment may be terminated immediately if the Director becomes disqualified from managing a corporation under the *Corporations Act*, is removed as a director in accordance with section 203D of the *Corporations Act* or is not re-elected to the Board following mandatory retirement in accordance with the Constitution and the Listing Rules.

Name: Mr Steven Woolley
Title: Non-Executive Chairman
Agreement commenced: 15 October 2025
Details: Enter into a service agreement with the Company in the form of a letter of appointment. Annual remuneration of \$54,000 per annum. The appointment may be terminated immediately if the Director becomes disqualified from managing a corporation under the *Corporations Act*, is removed as a director in accordance with section 203D of the *Corporations Act* or is not re-elected to the Board following mandatory retirement in accordance with the Constitution and the Listing Rules.

Name: Mr Jack Hanrahan
Title: Non-Executive Chairman
Agreement commenced: 19 September 2022 and resigned on 17 September 2025
Details: Enter into a service agreement with the Company in the form of a letter of appointment. Annual remuneration of \$54,000 per annum. The appointment may be terminated immediately if the Director becomes disqualified from managing a corporation under the *Corporations Act*, is removed as a director in accordance with section 203D of the *Corporations Act* or is not re-elected to the Board following mandatory retirement in accordance with the Constitution and the Listing Rules.

Name: Mr Taizong (Tim) Kang
Title: Operations General Manager
Agreement commenced: 23 September 2022
Details: Base salary for the year ending 30 June 2027 of \$200,000 per annum plus superannuation, to be reviewed annually. Termination by either party will be subject to the minimum notice requirements prescribed by the *Fair Work Act 2009 (Cth)*, and any termination payment will be limited to the minimum entitlements required under the *Fair Work Act 2009 (Cth)*.

In addition, Mr Kang was appointed as Interim Director from 23 September 2025 to 15 October 2025, with no additional remuneration paid in respect of the appointment or the performance of duties as Interim Director.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2026 are set out below:

Name	Date	Shares	Issue price
Mr Boxiang (Peter) Zhao	25 February 2026	150,000	\$0.13

Grant of shares subject to service conditions

Details of shares approved for issue to directors and other key management personnel as part of compensation during the year ended 30 June 2026 are set out below:

Name	Number of shares granted	Grant date	Issue price	Fair value of shares at grant date
Mr S Woolley	200,000	28/11/2025	\$0.13	\$26,000

The shares approved for issue to Mr S Woolley are subject to a service condition requiring continuous service with the Company for one year from the grant date. The shares will be issued following satisfaction of the service condition.

For the year ended 30 June 2026, an amount of \$15,167 was recognised as a share-based payment expense, representing the portion of the grant-date fair value attributable to services received during the period.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2026.

Issue of performance rights

Details of performance rights issued to directors and other key management personnel as part of compensation during the year ended 30 June 2026 are set out below:

Name	Number of rights granted	Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend Yield	Risk-free interest rate	Exercise price	Fair value of rights at grant date
Ms F Yue	2,000,000	28/11/2025	28/11/2030	\$0.13	84.00%	-	4.05%	\$0.00	\$103,459
Mr B Zhao	100,000	28/11/2025	28/11/2030	\$0.13	84.00%	-	4.05%	\$0.00	\$5,173
Mr S Woolley	200,000	28/11/2025	28/11/2030	\$0.13	84.00%	-	4.05%	\$0.00	\$10,346
Mr T Kang	2,000,000	28/11/2025	28/11/2030	\$0.13	84.00%	-	4.05%	\$0.00	\$103,459

The fair value of the performance rights was determined using the Trinomial valuation model. The total grant-date fair value of the performance rights issued to KMPs was \$222,437. The fair value is recognised as a share-based payment expense over the five-year vesting period, subject to the applicable vesting conditions. An amount of \$44,487 was recognised in profit or loss for the current year.

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 rights.
- (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) Vesting of the performance rights is also subject to the holder remaining in continuous service with the Company during the applicable five-year vesting period. Where the service condition is not satisfied, the relevant performance rights will lapse, subject to the terms of the individual grant.
- (v) 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.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Ms F Yue	10,200,000	-	-	-	10,200,000
Mr B Zhao	-	-	150,000	-	150,000
Mr T Kang	9,800,000	-	-	-	9,800,000
	<u>20,000,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>20,150,000</u>

Performance right holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Ms F Yue	-	2,000,000	-	-	2,000,000
Mr B Zhao	-	100,000	-	-	100,000
Mr S Woolley	-	200,000	-	-	200,000
Mr T Kang	-	2,000,000	-	-	2,000,000
	<u>-</u>	<u>4,300,000</u>	<u>-</u>	<u>-</u>	<u>4,300,000</u>

Loans to key management personnel and their related parties

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.

Other transactions with key management personnel and their related parties

Ms F Yue and Mr T Kang provided loans to the Group to supplement its working capital. In 2024, the Company entered into an agreement with Mr T 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% per annum. All loans from related parties are unsecured. A reconciliation of loans from Ms F Yue and Mr T Kang during the financial year is provided as follows:

	Consolidated	
	2026	2025
	\$	\$
Balance at the beginning of the year	771,886	1,295,535
Net amount received/(repaid)	(349,168)	175,805
Loan converted to equity	-	(699,454)
Balance at the end of the year	422,718	771,886
Interest paid during the year	22,631	-

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Merino & Co. Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
23 October 2024	23 October 2027	\$0.30	300,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

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

Shares issued on the exercise of options

There were no ordinary shares of Merino & Co. Limited issued on the exercise of options during the year ended 30 June 2026 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company 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 Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company 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 29 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 29 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 Moore Australia Audit (WA)

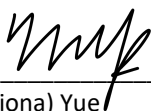
There are no officers of the Company who are former partners of Moore Australia Audit (WA).

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Fang (Fiona) Yue
Director

30 September 2026

Auditor's Independence Declaration
Under Section 307c of the Corporations Act 2001**To the directors of Merino & Co. Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2026, there have been:

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



Suan-Lee Tan
Partner – Audit and Assurance
[Moore Australia Audit \(WA\)](#)
Perth
30 September 2026



Moore Australia Audit (WA)
Chartered Accountants

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30 June 2026

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General information

The financial statements cover Merino & Co. Limited as a Group consisting of Merino & Co. Limited and the entities it controlled at the end of, or during, the 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 are:

Registered office

4 Quartz Way, Wangara WA 6065

Principal place of business

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 30 September 2026. The directors have the power to amend and reissue the financial statements.

Merino & Co. Limited And Its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2026

MERINO&C^o

		Consolidated	
	Note	2026	2025
		\$	\$
Revenue	4	2,236,374	3,509,023
Other income		46,842	79,106
Interest revenue		3,436	6,638
Expenses			
Changes in inventories		101,317	1,075,517
Purchase of inventories		(1,650,146)	(4,198,273)
Listing expense		(16,857)	(314,500)
Employee benefits expense		(964,291)	(862,246)
Interest expense		(273,980)	(284,024)
Depreciation and amortisation expense		(385,410)	(302,725)
Impairment of receivables		-	18,465
Rental expense		(180,754)	(130,104)
Consulting expense		(121,200)	(44,053)
Research and development expense		-	(55,000)
Share-based payments	30	29,596	(108,750)
Foreign exchange (loss)/gain		(5,616)	(96,408)
Marketing expense		(584,904)	(482,198)
Other expenses		(444,116)	(466,059)
Loss before income tax expense		(2,209,709)	(2,655,591)
Income tax expense	5	-	(105,232)
Loss after income tax expense for the year attributable to the owners of Merino & Co. Limited		(2,209,709)	(2,760,823)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		19,874	37,681
Other comprehensive income for the year, net of tax		19,874	37,681
Total comprehensive income for the year attributable to the owners of Merino & Co. Limited		<u>(2,189,835)</u>	<u>(2,723,142)</u>
		Cents	Cents
Basic loss per share	25	(2.99)	(4.74)
Diluted loss per share	25	(2.99)	(4.74)

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

Merino & Co. Limited And Its Controlled Entities
Consolidated statement of financial position
As at 30 June 2026

MERINO&C^o

	Note	Consolidated 2026 \$	2025 \$
Assets			
Current assets			
Cash and cash equivalents	6	740,337	2,973,644
Trade and other receivables	7	972,902	374,706
Inventories	8	3,704,557	3,603,381
Financial assets at amortised cost	9	105,572	105,572
Other assets	10	413,966	578,770
Total current assets		<u>5,937,334</u>	<u>7,636,073</u>
Non-current assets			
Investment properties	12	400,846	411,713
Property, plant and equipment	13	636,869	732,570
Right-of-use assets	14	1,188,341	1,348,567
Intangible assets	15	16,368	72,002
Other assets	11	60,752	61,224
Total non-current assets		<u>2,303,176</u>	<u>2,626,076</u>
Total assets		<u>8,240,510</u>	<u>10,262,149</u>
Liabilities			
Current liabilities			
Trade and other payables	16	1,126,340	324,094
Borrowings	17	757,955	765,497
Lease liabilities	19	111,079	95,780
Employee benefits	21	223,227	171,764
Total current liabilities		<u>2,218,601</u>	<u>1,357,135</u>
Non-current liabilities			
Borrowings	18	1,516,916	2,069,511
Lease liabilities	20	1,168,830	1,279,909
Total non-current liabilities		<u>2,685,746</u>	<u>3,349,420</u>
Total liabilities		<u>4,904,347</u>	<u>4,706,555</u>
Net assets		<u>3,336,163</u>	<u>5,555,594</u>
Equity			
Issued capital	22	9,076,618	9,057,118
Reserves	23	139,902	169,124
Accumulated losses		<u>(5,880,357)</u>	<u>(3,670,648)</u>
Total equity		<u>3,336,163</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 And Its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2026

MERINO&C^o

Consolidated	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 expense 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)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	7,193,454	-	-	7,193,454
Share-based payments	-	108,750	-	108,750
Convertible notes converted to equity	1,950,430	(1,950,430)	-	-
Issue of options to lead manager	-	22,693	-	22,693
Share issue costs	(886,866)	-	-	(886,866)
Balance at 30 June 2025	<u>9,057,118</u>	<u>169,124</u>	<u>(3,670,648)</u>	<u>5,555,594</u>
Consolidated	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 year	-	-	(2,209,709)	(2,209,709)
Other comprehensive income for the year, net of tax	-	19,874	-	19,874
Total comprehensive income for the year	-	19,874	(2,209,709)	(2,189,835)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares under share-based payment	19,500	(19,500)	-	-
Adjustment for prior year pre-grant recognition	-	(87,000)	-	(87,000)
Fair value adjustment	-	(2,250)	-	(2,250)
Share-based payments (note 30)	-	59,654	-	59,654
Balance at 30 June 2026	<u>9,076,618</u>	<u>139,902</u>	<u>(5,880,357)</u>	<u>3,336,163</u>

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

Merino & Co. Limited And Its Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2026

MERINO&C^o

		Consolidated	
	Note	2026	2025
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,528,293	5,678,158
Payments to suppliers and employees		(2,807,672)	(7,481,175)
Interest received		1,330	4,383
Interest and other finance costs paid		(174,804)	(198,151)
Income tax refunded		46,842	55,424
Net cash used in operating activities	26	(1,406,011)	(1,941,361)
Cash flows from investing activities			
Payments for property, plant and equipment		(62,982)	(459,461)
Net cash used in investing activities		(62,982)	(459,461)
Cash flows from financing activities			
Proceeds from issue of shares	22	-	6,354,000
Proceeds from borrowings - related parties		-	175,805
Share issue transaction costs		(226)	(915,568)
Repayment of borrowings		(560,137)	(486,446)
Repayment of lease liabilities		(202,436)	(207,848)
Repayment of hire purchase loan		-	(20,837)
Net cash from/(used in) financing activities		(762,799)	4,899,106
Net increase/(decrease) in cash and cash equivalents		(2,231,792)	2,498,284
Cash and cash equivalents at the beginning of the financial year		2,973,644	455,832
Effects of exchange rate changes on cash and cash equivalents		(1,515)	19,528
Cash and cash equivalents at the end of the financial year	6	740,337	2,973,644

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

Note 1. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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 Group'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 2.

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 30 June 2026, the Group incurred a net loss after tax of \$2,209,709 (2025: \$2,760,823) and recorded net cash outflows from operating activities of \$1,406,011 (2025: \$1,941,361). As at 30 June 2026, the Group held cash and cash equivalents of \$740,337 (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, including completion of the recent \$1 million (before costs) capital raise in September 2026. 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 1. Material accounting policy information (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Merino & Co. Limited ('Company' or 'parent entity') as at 30 June 2026 and the results of all subsidiaries for the year ended. Merino & Co. Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Operating segments

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 Makers ('CODM') 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 CODM - being the Board of Directors.

Foreign currency translation

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.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Note 1. Material accounting policy information (continued)

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.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

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.

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.

Note 1. Material accounting policy information (continued)

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.

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 at the end of the reporting period 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.

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.

Trade and other receivables

Trade receivables are initially recognised at the transaction price 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.

Inventories

Raw materials, work in progress and 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. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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.

Note 1. Material accounting policy information (continued)

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.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group 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 Group 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 Group'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.

Investment properties

Investment properties principally comprise of commercial buildings held for long-term rental and capital appreciation that are not occupied by the Group. Investment properties 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.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Property, plant and equipment

Plant and equipment are 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.

Note 1. Material accounting policy information (continued)

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 remeasurement 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.

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.

Impairment of non-financial assets

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.

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.

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.

Note 1. Material accounting policy information (continued)

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 Group'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.

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.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave and 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 share-based compensation benefits are provided to employees.

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

The cost of equity-settled transactions is 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 Group receives the services that entitle the employees to receive payment.

The cost of equity-settled transactions is 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.

Note 1. Material accounting policy information (continued)

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.

Issued capital

Ordinary shares are classified as equity.

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

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.

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.

Note 1. Material accounting policy information (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2026. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 will replace AASB 101 to amend the presentation and disclosure requirements in financial statements which includes:

- the presentation of the statement of profit or loss into five categories, namely the operating, investing, financing, discontinued operations and income tax categories, as well as newly-defined operating profit subtotals;
- disclosure of management-defined performance measures (MPMs) in a single note; and
- enhanced requirements for grouping (aggregation and disaggregation) of information.

In addition, the Group will be required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows.

The Group plans on adopting the amendment for the reporting period ending 30 June 2028. The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

Note 2. 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 Group measures the cost of equity-settled transactions with employees 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 either the Black-Scholes model or Trinomial 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.

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 and historical collection rates.

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.

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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets

The Group 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 Group 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 Group 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.

Note 3. 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.

Operating segment information

	Australia \$	China \$	Total \$
Consolidated - 2026			
Revenue			
Sales to external customers	866,682	1,369,692	2,236,374
Total segment revenue	866,682	1,369,692	2,236,374
<i>Unallocated revenue:</i>			
Interest revenue			3,436
Total revenue			2,239,810
 Operating (loss)/profit	(2,396,004)	186,295	(2,209,709)
Loss before income tax expense	(2,396,004)	186,295	(2,209,709)
Income tax expense			-
Loss after income tax expense			(2,209,709)
 Assets			
Segment assets	6,302,231	1,938,279	8,240,510
Total assets			8,240,510
 Liabilities			
Segment liabilities	4,896,735	7,612	4,904,347
Total liabilities			4,904,347

Note 3. Operating segments (continued)

	Australia \$	China \$	Total \$
Consolidated - 2025			
Revenue			
Sales to external customers	2,901,201	607,822	3,509,023
Total segment revenue	2,901,201	607,822	3,509,023
<i>Unallocated revenue:</i>			
Interest revenue			6,638
Total revenue			3,515,661
Operating (loss)/profit	(2,817,406)	56,583	(2,760,823)
Profit/(loss) before income tax expense	(2,817,406)	56,583	(2,760,823)
Income tax expense			-
Loss after income tax expense			(2,760,823)
Assets			
Segment assets	8,597,215	1,664,934	10,262,149
Total assets			10,262,149
Liabilities			
Segment liabilities	4,685,905	20,650	4,706,555
Total liabilities			4,706,555

Note 4. Revenue

	Consolidated	
	2026	2025
	\$	\$
Sales of goods	2,236,374	3,509,023

Disaggregation of revenue

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

	Consolidated	
	2026	2025
	\$	\$
<i>Geographical regions</i>		
Australia	866,682	2,901,201
China	1,369,692	607,822
	2,236,374	3,509,023
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	2,236,374	3,509,023

Major customers

During the current and previous financial years, there was one (2025: four customers) customer that contributed more than 10% of the Group's revenues. Revenues from this customer contributed 58% (2025: 87%) of the Group's revenues.

Note 5. Income tax

	Consolidated	
	2026	2025
	\$	\$
<i>The components of tax expense comprise:</i>		
Current income tax	-	-
Deferred tax	-	105,232
Income tax expense	-	105,232

The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on loss from ordinary activities before income tax at 25% (2025:25%) from ordinary operations:	(552,427)	(663,898)
Add/(less) tax effect of:		
Other non-allowable items	(7,399)	27,188
Reversal of deferred tax assets previously recognised	-	105,232
Revenue losses and other deferred tax balances not recognised	559,826	636,710
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income from ordinary operations	-	105,232

Recognised deferred tax at 25% (2025: 25%)ⁱ

Deferred tax liabilities		
Right-of-use assets	(297,085)	(337,142)
Other taxable temporary differences	(3,717)	(3,717)
Total deferred tax liabilities	(300,802)	(340,859)
Deferred tax assets		
Carry forward revenue losses	300,802	340,859
Net deferred tax asset/(liability)	-	-

Unrecognised deferred tax assets at 25% (2025: 25%)ⁱ

Carry forward revenue losses	946,044	338,080
Carry forward capital losses	-	-
Capital raising costs	170,989	236,454
Provisions, accruals and other deductible temporary differences	144,146	108,462
Allowance for expected credit losses	42,449	42,449
Lease liabilities	319,977	343,922
Total unrecognised deferred tax assets	1,623,605	1,069,367

(i) Deferred tax assets have been recognised only to the extent of taxable temporary differences. The recognised amount has been allocated to carried-forward revenue losses. The remaining losses and deductible temporary differences have not been recognised because sufficient future taxable profits are not presently considered probable.

Unused revenue losses at 30 June 2026 are estimated at \$4,998,251 (2025: \$2,715,757), representing a gross tax benefit of \$1,249,563 (2025: \$678,939). Of this amount, \$300,802 (2025: \$340,859) has been recognised. Availability remains subject to the relevant tax-loss recoupment requirements.

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	2026	2025
	\$	\$
Cash on hand	7,973	100
Cash at bank	732,364	2,973,544
	<u>740,337</u>	<u>2,973,644</u>

Note 7. Current assets - trade and other receivables

	Consolidated	
	2026	2025
	\$	\$
Trade receivables	1,108,614	233,981
Less: Allowance for expected credit losses	(169,795)	(169,795)
	<u>938,819</u>	<u>64,186</u>
Other receivables	29,860	308,403
Interest receivable	4,223	2,117
	<u>972,902</u>	<u>374,706</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 recognised no expense or gain in profit or loss in respect of the expected credit losses for the year ended 30 June 2026 (2025: gain of \$18,465).

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2026	2025	2026	2025	2026	2025
Consolidated	%	%	\$	\$	\$	\$
Not overdue	-	-	840,567	49,207	-	-
0 to 3 months overdue	-	-	65,724	14,979	-	-
3 to 6 months overdue	-	-	32,528	-	-	-
Over 6 months overdue	100%	100%	169,795	169,795	169,795	169,795
			<u>1,108,614</u>	<u>233,981</u>	<u>169,795</u>	<u>169,795</u>

Note 7. Current assets - trade and other receivables (continued)

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

	Consolidated	
	2026	2025
	\$	\$
Opening balance	169,795	162,381
Additional provisions recognised	-	7,414
Closing balance	<u>169,795</u>	<u>169,795</u>

Note 8. Current assets - inventories

	Consolidated	
	2026	2025
	\$	\$
Raw materials	217,578	386,280
Work in progress	260,011	12,480
Finished goods	2,627,374	3,204,621
Stock in transit	599,594	-
	<u>3,704,557</u>	<u>3,603,381</u>

Note 9. Current assets - Financial assets at amortised cost

	Consolidated	
	2026	2025
	\$	\$
Bank term deposits - held to maturity	<u>105,572</u>	<u>105,572</u>

Note 10. Current assets - other assets

	Consolidated	
	2026	2025
	\$	\$
Prepayments	<u>413,966</u>	<u>578,770</u>

Note 11. Non-current assets - other assets

	Consolidated	
	2026	2025
	\$	\$
Rental deposits	42,684	42,684
E-commerce platform security deposits	16,999	16,937
Borrowing costs	2,675	2,675
Less: Accumulated amortisation on borrowing costs	(1,606)	(1,072)
	<u>60,752</u>	<u>61,224</u>

Note 12. Non-current assets - investment properties

	Consolidated	
	2026	2025
	\$	\$
Commercial building - at cost	543,373	543,373
Less: Accumulated depreciation	(142,527)	(131,660)
	<u>400,846</u>	<u>411,713</u>

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

	Consolidated	
	2026	2025
	\$	\$
Net rental income from operating leases	43,617	33,803

(ii) Measure 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.

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2026	2025
	\$	\$
Plant and equipment - at cost	1,149,887	1,080,795
Less: Accumulated depreciation	(513,018)	(363,941)
	<u>636,869</u>	<u>716,854</u>
Motor vehicles - at cost	166,189	166,189
Less: Accumulated depreciation	(166,189)	(150,473)
	<u>-</u>	<u>15,716</u>
	<u><u>636,869</u></u>	<u><u>732,570</u></u>

Reconciliations

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

Consolidated	Plant and equipment	Motor vehicles	Total
	\$	\$	\$
Balance at 1 July 2024	328,933	35,226	364,159
Additions	459,461	-	459,461
Depreciation expense	(71,540)	(19,510)	(91,050)
Balance at 30 June 2025	716,854	15,716	732,570
Additions	69,092	-	69,092
Depreciation expense	(149,077)	(15,716)	(164,793)
Balance at 30 June 2026	<u><u>636,869</u></u>	<u><u>-</u></u>	<u><u>636,869</u></u>

Note 14. Non-current assets - right-of-use assets

	Consolidated	
	2026	2025
	\$	\$
Land and buildings - right-of-use	1,442,032	1,442,032
Less: Accumulated depreciation	(253,691)	(93,465)
	<u><u>1,188,341</u></u>	<u><u>1,348,567</u></u>

The Group leases land and buildings for its offices, 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.

The Group also leases an additional warehouse and various items of equipment under separate lease agreements. These leases are either short-term or low-value assets. The Group has elected to apply the recognition exemptions under AASB 16, with the related lease payments recognised as an expense in profit or loss as incurred.

Note 14. Non-current assets - right-of-use assets (continued)

	Consolidated	
	2026	2025
	\$	\$
<i>Lease liabilities</i>		
Current	111,079	95,780
Non-current	1,168,830	1,279,909
	<u>1,279,909</u>	<u>1,375,689</u>

	Consolidated	
	2026	2025
	\$	\$
<i>The statement of profit or loss shows the following amount relating to the lease of land and buildings:</i>		
Depreciation expense of right-of-use assets	253,691	93,465
Interest expense on lease liabilities	106,655	79,901
	<u>360,346</u>	<u>173,366</u>

The total cash outflow for the lease of land and building for the year ended 30 June 2026 was \$202,436 (2025: \$207,848).

Note 15. Non-current assets - intangible assets

	Consolidated	
	2026	2025
	\$	\$
Software - at cost	5,366	5,116
Less: Accumulated amortisation	(4,009)	(2,974)
	<u>1,357</u>	<u>2,142</u>
Trademarks acquired from third-party - at cost	290,929	290,929
Less: Accumulated amortisation	(275,918)	(227,429)
	<u>15,011</u>	<u>63,500</u>
Trademarks generated internally - at cost	-	6,360
	<u>16,368</u>	<u>72,002</u>

Note 15. Non-current assets - intangible assets (continued)

Reconciliations

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

Consolidated	Software \$	Trademarks acquired from third-party \$	Trademarks generated internally \$	Total \$
Balance at 1 July 2024	3,436	111,988	6,360	121,784
Amortisation expense	(1,294)	(48,488)	-	(49,782)
Balance at 30 June 2025	2,142	63,500	6,360	72,002
Additions	250	-	-	250
Impairment of internally generated trademark	-	-	(6,360)	(6,360)
Amortisation expense	(1,035)	(48,489)	-	(49,524)
Balance at 30 June 2026	<u>1,357</u>	<u>15,011</u>	<u>-</u>	<u>16,368</u>

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2026	2025
	\$	\$
Trade payables	644,197	169,451
Other payables	482,143	154,643
	<u>1,126,340</u>	<u>324,094</u>

Note 17. Current liabilities - borrowings

	Consolidated	
	2026	2025
	\$	\$
Loan - Management (i)	133,111	152,167
Loan - Bank - investment property (ii)	403,000	403,000
Loan - Bank - working capital (iii)	221,844	210,330
	<u>757,955</u>	<u>765,497</u>

Note 18. Non-current liabilities - borrowings

	Consolidated	
	2026	2025
	\$	\$
Loan – Management (i)	289,607	619,719
Loan - Bank - working capital (iii)	1,227,309	1,449,792
	<u>1,516,916</u>	<u>2,069,511</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. The loan is unsecured as at the reporting date.

During the year, 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. Interest is charged at a variable rate, with the applicable interest rate being 7.38% per annum at the reporting date. Interest-only repayments are required over the term of the facility, with the loan maturing on 30 April 2027.

(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. Interest is charged at a variable rate, with the applicable interest rate being 8.08% per annum at the reporting date. The facility is repayable by monthly instalments, with the final repayment due in December 2031.

Total secured liabilities

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

	Consolidated	
	2026	2025
	\$	\$
Loan - Bank - working capital	1,449,153	1,660,122
Loan - Bank – investment property	403,000	403,000
	<u>1,852,153</u>	<u>2,063,122</u>

Note 19. Current liabilities - lease liabilities

	Consolidated	
	2026	2025
	\$	\$
Lease liability	<u>111,079</u>	<u>95,780</u>

Note 20. Non-current liabilities - lease liabilities

	Consolidated	
	2026	2025
	\$	\$
Lease liability	<u>1,168,830</u>	<u>1,279,909</u>

Please refer to note 14 for more details.

Note 21. Current liabilities - employee benefits

	Consolidated	
	2026	2025
	\$	\$
Annual leave	<u>223,227</u>	<u>171,764</u>

The provision relates to the Company's liability for employees' annual leave entitlements, with liabilities expected to be settled wholly within 12 months of the reporting date measured at the amounts expected to be paid when settled.

Note 22. Equity - issued capital

	2026	2025	Consolidated	2025
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>73,926,570</u>	<u>73,776,570</u>	<u>9,076,618</u>	<u>9,057,118</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2024	24,000,000		800,100
Issue of shares per prospectus		31,770,000	\$0.20	6,354,000
Conversion of convertible note		13,809,300	\$0.14	1,950,430
Conversion of management loans into shares		3,497,270	\$0.20	699,454
Issue of shares to consultants		200,000	\$0.20	40,000
Issue of shares to lead manager		500,000	\$0.20	100,000
Capital raising costs		-	\$0.00	(886,866)
Balance	30 June 2025	73,776,570		9,057,118
Issue of shares under share-based payment	25 February 2026	150,000	\$0.13	19,500
Balance	30 June 2026	<u>73,926,570</u>		<u>9,076,618</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.

Capital risk management

The Group'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 Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 23. Equity - reserves

	Consolidated	
	2026	2025
	\$	\$
Foreign currency reserve	57,555	37,681
Share-based payments reserve	59,654	108,750
Options reserve	22,693	22,693
	139,902	169,124

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.

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 and previous financial year are set out below:

Consolidated	Foreign currency reserve \$	Share-based payments reserve \$	Options reserve \$	Convertible notes reserve \$	Total \$
Balance at 1 July 2024	-	-	-	1,950,430	1,950,430
Foreign currency translation	37,681	-	-	-	37,681
Shares to be issued to Directors subject to shareholder's approval	-	108,750	-	-	108,750
Issue of options to lead manager	-	-	22,693	-	22,693
Conversion of convertible notes into fully paid ordinary shares	-	-	-	(1,950,430)	(1,950,430)
Balance at 30 June 2025	37,681	108,750	22,693	-	169,124
Foreign currency translation	19,874	-	-	-	19,874
Reversal of prior year pre-grant recognition ⁱⁱⁱ	-	(87,000)	-	-	(87,000)
Fair value adjustment	-	(2,250)	-	-	(2,250)
Share-based payments_shares ⁱ	-	15,167	-	-	15,167
Share-based payments_performance rights ⁱⁱ	-	44,487	-	-	44,487
Issue of shares under share-based payment	-	(19,500)	-	-	(19,500)
Balance at 30 June 2026	57,555	59,654	22,693	-	139,902

(i) At the AGM held on 28 November 2025, shareholders approved the issue of 200,000 ordinary shares to Mr S Woolley for a total grant-date fair value of \$26,000. For the year ended 30 June 2026, the Company recognised \$15,167 as share-based payment expense, representing the portion of the grant-date fair value attributable to service received during the period. The remaining unrecognised amount of \$10,833 will be recognised over the remaining service period, subject to satisfaction of the service conditions.

Note 23. Equity - dividends (continued)

(ii) At the AGM, shareholders also approved the issue of performance rights to four Key Management Personnel (KMPs) as part of the Company's Incentive Award Plan. The total grant-date fair value of the performance rights was \$222,437. The performance rights are subject to performance and service conditions. The Company has estimated the vesting period to be five years, based on management's assessment of the period over which the applicable vesting conditions are expected to be satisfied.

For the year ended 30 June 2026, the Company recognised \$44,487 in share-based payment expense, representing the portion of the grant-date fair value recognised based on the five-year vesting period. The remaining balance of \$177,950 is expected to be recognised over the remaining vesting period.

(iii) 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 year.

Note 24. Equity - dividends

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

Note 25. Earnings per share

	Consolidated	
	2026	2025
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Merino & Co. Limited	<u>(2,209,709)</u>	<u>(2,760,823)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>73,828,351</u>	<u>58,229,915</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>73,828,351</u>	<u>58,229,915</u>
	Cents	Cents
Basic loss per share	(2.99)	(4.74)
Diluted loss per share	(2.99)	(4.74)

Potential ordinary shares were not included in the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

Note 26. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2026	2025
	\$	\$
Loss after income tax expense for the year	(2,209,709)	(2,760,823)
Adjustments for:		
Depreciation and amortisation	385,410	302,725
Interest repayment - lease	106,655	79,900
Share-based payments	(29,596)	108,750
IPO related capital raising costs	226	314,500
Other	15,774	24,908
Foreign exchange differences	5,616	(6,646)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	(598,196)	1,836,478
Increase in inventories	(101,176)	(1,073,429)
Decrease in deferred tax assets	-	105,232
Decrease in other operating assets	165,276	255,660
Decrease in trade and other payables	802,246	(1,180,308)
Increase in employee benefits	51,463	51,692
Net cash used in operating activities	<u>(1,406,011)</u>	<u>(1,941,361)</u>

Note 27. Non-cash investing and financing activities

	Consolidated	
	2026	2025
	\$	\$
Additions to the right-of-use assets	-	1,442,032
Interest expense	106,655	79,901
Conversion to equity	-	(699,454)
Shares issued under Incentive Award Plan	19,500	-
Others	-	175
	<u>126,155</u>	<u>822,654</u>

Note 28. 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 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.

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.

Note 28. Financial instruments (continued)

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 flow forecasting.

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

	Assets		Liabilities	
	2026	2025	2026	2025
Consolidated	\$	\$	\$	\$
Japanese yen	-	-	-	317
Chinese Yuan	570,837	900,506	3,734	16,795
	<u>570,837</u>	<u>900,506</u>	<u>3,734</u>	<u>17,112</u>

The Group had net assets denominated in foreign currencies of \$567,103 (assets of \$570,837 less liabilities of \$3,734) as at 30 June 2026 (2025: \$883,394 (assets of \$900,506 less liabilities of \$17,112)). Based on this exposure, had the Australian dollars weakened by 5%/strengthened by 5% (2025: 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 \$28,355 higher/lower (2025: \$44,170 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 2026 was \$5,616 (2025: loss of \$96,408).

Price risk

The Group is not exposed to any 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 \$1,852,153 (2025: \$2,063,122), are principal and interest payment loans based on variable interest rate. An official increase/decrease in interest rates of 100 (2025: 100) basis points would have an adverse/favourable effect on profit tax of \$18,522 (2025: \$20,631) per annum. The percentage change is based on the expected volatility of interest rates using marketing 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 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.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 28. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2026					
<i>Non-interest bearing</i>					
Trade payables	-	733,045	-	-	733,045
Loan from KMP	-	-	-	-	-
<i>Interest-bearing - variable</i>					
Bank loans	7.38%~8.08%	758,625	1,463,812	-	2,222,437
Loan from KMP	5.00%	159,487	335,318	-	494,805
<i>Interest-bearing - fixed rate</i>					
Lease liability	8.00%	111,079	843,315	325,515	1,279,909
Total non-derivatives		1,762,236	2,642,445	325,515	4,730,196

	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2025					
<i>Non-interest bearing</i>					
Trade payables	-	246,089	-	-	246,089
Loan from KMP	-	55,805	-	-	55,805
<i>Interest-bearing - variable</i>					
Bank loans	6.92%~7.70%	757,080	1,323,360	450,917	2,531,357
Loan from KMP	5.00%	121,620	648,640	40,540	810,800
<i>Interest-bearing - fixed rate</i>					
Lease liability	8.00%	202,436	883,119	833,661	1,919,216
Total non-derivatives		1,383,030	2,855,119	1,325,118	5,563,267

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.

Note 29. Remuneration of auditors

During the financial year, the Group changed auditors from William Buck Audit (WA) and related network firms to Moore Australia Audit (WA). The following fees were paid or payable to the auditors and the auditors' related practices:

	Consolidated	
	2026	2025
	\$	\$
<i>William Buck Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	23,000	62,372
<i>Moore Australia Audit (WA)</i>		
Audit or review of the financial statements	36,000	-
	<u>59,000</u>	<u>62,372</u>
<i>Other auditors and their related network firms</i>		
Audit of the financial statements for controlled entities	-	2,139
<i>Other services</i>		
Investigating accountant's report - William Buck Consulting (WA) Pty Ltd	-	16,523
Consulting services - Moore Australia Corporate Finance Pty Ltd (WA) ⁱ	1,500	-
	<u>1,500</u>	<u>16,523</u>
	<u>1,500</u>	<u>18,662</u>

Note:

(i) Services were provided prior to the appointment of Moore Australia Audit (WA).

Note 30. 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 was 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 were reversed in the current year. 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 year.

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 \$49,096 recognised in profit or loss for the current year.

Note 30. Share-based payments (continued)

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

	Number of shares 2026	Weighted average exercise price 2026	Number of shares 2025	Weighted average exercise price 2025
Outstanding at the beginning of the financial year	750,000	\$0.145	-	\$0.00
Pre-grant recognition	-	\$0.00	750,000	\$0.145
Reversal of prior year pre-grant recognition	(750,000)	\$0.145	-	\$0.00
Granted	350,000	\$0.13	-	\$0.00
Outstanding at the end of the financial year	350,000	\$0.13	750,000	\$0.145
Vested at the end of the financial year	150,000	\$0.13	-	\$0.00

Options issued to consultants and advisors

On 23 October 2024, the Company issued 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 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

2026

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
23/10/2024	23/10/2027	\$0.30	300,000	-	-	-	300,000
			300,000	-	-	-	300,000
Weighted average exercise price			\$0.30	\$0.00	\$0.00	\$0.00	\$0.30

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.32 years (2025: 2.32 years).

Performance rights issued under incentive plans

Shareholders approved the grant of 4,300,000 performance rights under the Company's Incentive Award 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 was determined using the Trinomial valuation model. The total grant-date fair value of the performance rights issued to KMPs was \$222,437. The fair value is recognised as a share-based payment expense over the five-year vesting period, subject to the applicable vesting conditions. An amount of \$44,487 was recognised in profit or loss for the current year.

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

Note 30. Share-based payments (continued)

	Number of rights 2026	Weighted average Exercise price 2026	Number of rights 2025	Weighted average exercise price 2025
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 year	<u>4,300,000</u>		<u>-</u>	

For the performance rights granted during the current financial 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	-
Tranche 2	28/11/2025	28/11/2030	\$0.13	\$0.00	84.00%	-	4.05%	\$0.000	-
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

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 rights.
- (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) Vesting of the performance rights is also subject to the holder remaining in continuous service with the Company during the applicable five-year vesting period. Where the service condition is not satisfied, the relevant performance rights will lapse, subject to the terms of the individual grant.
- (v) 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 31. Contingent liabilities

The Group has given bank guarantees as at 30 June 2026 of \$42,684 (2025: \$42,684) to the lessor.

Note 32. 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.

Note 32. Commitments (continued)

As at 30 June 2026, the Company had received invoices totalling \$210,000 in relation to the R&D project, comprising amounts relating to the first year and the first half of the second year of the project. Of this amount, \$80,000 had been paid and \$130,000 remained outstanding and was recognised as a liability in the financial statements. No further invoices have been received for the second half of the year and the third year of the R&D Project, representing a total amount of \$240,000.

University of Queensland is currently in the process of applying for an exemption in respect of the relevant funding obligation. The application is currently being considered, and the exemption has not yet been granted as at the date of this report. Accordingly, the outstanding amount of \$130,000 and the remaining unbilled commitment of \$240,000 are subject to the outcome of the exemption application.

	Consolidated	
	2026	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 33. Related party transactions

Parent entity

Merino & Co. Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2026	2025
	\$	\$
Payment for services:		
Short-term employee benefits	502,015	438,058
Post-employment benefits	43,200	41,601
Share-based payments	(10,096)	108,750
Payment for other expenses:		
Interest paid to key management personnel	22,631	-

Detailed remuneration disclosures are provided in the Remuneration Report on pages 7-13.

Note 33. Related party transactions (continued)

Loans to/from related parties

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

	Consolidated	
	2026	2025
	\$	\$
Current borrowings:		
Loan from key management personnel	133,111	152,167
Non-current borrowings:		
Loan from key management personnel	289,607	619,719

Please refer to note 17 & note 18 for more details.

Terms and conditions

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

Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2026	2025
	\$	\$
Loss after income tax	(2,372,491)	(2,678,340)
Total comprehensive loss	(2,372,491)	(2,678,340)

Statement of financial position

	Parent	
	2026	2025
	\$	\$
Total current assets	4,009,774	5,981,796
Total assets	9,046,306	11,367,890
Total current liabilities	(3,162,250)	(2,418,074)
Total liabilities	(5,847,996)	(5,767,494)
Share capital	9,076,618	9,057,118
Reserves	82,347	131,443
Accumulated losses	(5,960,655)	(3,588,165)
Total equity	3,198,310	5,600,396

Guarantees entered into by the parent entity

The parent entity has given bank guarantees as at 30 June 2026 of \$42,684 (2025: \$42,684) to the lessor.

Note 34. Parent entity information (continued)

Contingent liabilities of the parent entity

Other than the contingencies disclosed in Note 31, the parent entity did not have any other contingent liabilities at year-end (2025: nil).

Contractual commitments for capital expenditure

Other than the commitments disclosed in Note 32, the parent entity did not have any other commitment in relation to capital expenditure contracted but not recognised as liabilities as at reporting date (2025: nil).

Note 35. 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	
		2026 %	2025 %
Merinosnug (Shanghai) Wool Products Co., Ltd	China	100.00%	100.00%

Note 36. Events after the reporting period

Subsequent to 30 June 2026, the Company issued 10,100,000 ordinary shares to raise capital of \$1,010,000 (before costs) through a placement.

Othan than the above, at the date of this report, no other matter or circumstance has arisen since 30 June 2026 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.

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 *Corporations Act 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 TR2018/5.

*** 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.

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Merino & Co Limited	Body corporate	Australia	-	Australia
Merinosnug (Shanghai)				
Wool Products Co., Ltd	Body corporate	China	100.00%	China

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, other mandatory professional reporting requirements;
- the attached financial statements and notes comply with IFRS Accounting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2026 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company 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



Fang (Fiona) Yue
Director

30 September 2026

Independent Audit Report

To the members of Merino & Co. Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Merino & Co. Limited (the Company) and its subsidiary (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2026 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1 "Going Concern" of the financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. Should the cashflow forecast assumptions described in Note 1 not eventuate, this may cast doubt about the Group's ability to continue as a going concern for at least the next 12 months and, if it could not continue as a going concern, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at amounts other than as stated in the financial report.

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 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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.

Key audit matter
How the matter was addressed in our audit
Revenue Recognition
Refer to Note 1: Revenue recognition and Note 3: Operating segments

The Group recognised consolidated revenue of \$2,236,374 for the year ended 30 June 2026 (2025: \$3,509,023), primarily from the design, manufacture and sale of wool products.

There is a presumed risk of fraud in revenue recognition or of revenue being recorded in an incorrect period, therefore this has been considered a key audit matter.

Revenue is recognised when the sale transactions have been completed, when goods are delivered to the customer and all economic risks have been transferred to the customer. Revenue is generated primarily through sales to distributors. Delivery is completed when goods are paid and transferred to the customer or when goods are paid by the customer and delivered on location.

Our procedures included, amongst others:

- Obtained an understanding of the Group's revenue recognition policy and evaluating whether they are consistent with the requirements of AASB 15 Revenue from Contracts with Customers.
- Performing walkthroughs of key revenue streams to assess the design and implementation of 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 pre and post year-end periods to evaluate whether revenue was recognised in the appropriate period.
- Reviewed the adequacy of disclosures in the financial statements.

Existence and Carrying Values of Inventories
Refer to Note 1: Inventories and Note 8 Inventories

The Group held inventories of \$3,704,557 at 30 June 2026 (2025: \$3,603,381).

Inventory is valued at the lower of cost and net realisable value under AASB 102 Inventories. Net realisable value is determined by the estimated selling price in the ordinary course of business, less estimated costs to sell.

We identified this area as a key audit matter due to the size of the inventory balance, which is material to the Group's financial position, the inherent judgment involved in determining net realisable value, particularly in relation to slow moving and obsolete stocks.

Our procedures included, amongst others:

- Attending and observing the year-end inventory counts, including reviewing video recordings of inventory counts performed at an overseas location, to assess the existence and condition of inventory.
- Testing management's assessment of inventory recoverability, including reviewing aged inventory reports to identify slow moving or obsolete stocks
- Testing the net realisable value of selected inventory items by reference to subsequent selling prices and costs to complete/sell
- Performing cut-off testing to verify that inventory quantities and related revenue were recorded in the appropriate financial period.
- Reviewed the adequacy of disclosures in the financial statements.

Key audit matter
How the matter was addressed in our audit
Recoverability of trade receivables
Refer to Note 1: Trade & other receivables and Note 7: Trade & other receivables

At balance date, the Group reported trade receivables of \$938,819 (2025: \$64,186) arising from the sale of wool products.

We identified the recoverability of trade receivables is a key audit matter due to the significant judgement involved in assessing expected credit losses, particularly in relation to customers located in overseas jurisdictions and those exposed to heightened credit risk.

These factors required increased audit attention in assessing the collectability of outstanding receivable balances and the adequacy of management's provision for expected credit losses.

Our procedures included, amongst others:

- Assessing the recoverability of outstanding trade receivable balances by reviewing the ageing analysis and management's views of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with assessing cash received subsequent to year end;
- Challenging management's view of credit risk and recoverability in certain locations by obtaining direct external confirmation of a major year-end debtor balance and assessing cash received subsequent to year-end for its efforts in reducing amounts outstanding at year-end.
- Questioning management's knowledge of future conditions that may impact expected customer receipts and the allowance for expected credit losses.
- Reviewed the adequacy of disclosures in the financial statements.

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 2026 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the Directors for the Financial Report

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

- a) 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
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and
- c) for such internal control as the directors determine is necessary to enable the preparation of:

- i. 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
- ii. 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 has 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 on 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

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2026. In our opinion, the Remuneration Report of Merino & Co. Limited, for the year ended 30 June 2026 complies with section 300A of the *Corporations Act 2001*.

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.



Suan-Lee Tan
Partner – Audit and Assurance
[Moore Australia Audit \(WA\)](#)
Perth
30 September 2026



Moore Australia Audit (WA)
Chartered Accountants

Additional information required by ASX Listing Rules and not shown elsewhere in the report is set out below. The information is current as of 25 September 2026.

1. CORPORATE GOVERNANCE

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website at: <http://merinoandco.com.au/pages/corporate-governance-statement-2026>

2. SUBSTANTIAL SHAREHOLDERS

The following entities were substantial shareholders as at 25 September 2026.

	Ordinary shares	
	Number held	% of total shares issued
FANG YUE	10,200,000	12.10
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,000,000	11.86
TAIZONG KANG	9,800,000	11.62
RENRISE PTY LTD	7,745,000	9.18
AUSTRALIAN NATURAL ALLIANCE PTY LTD	5,164,270	6.12
DEAKEN & ASSOCIATES PTY LTD	4,997,339	5.93
MARTANNMAR PTY LTD	4,508,675	5.35
WINGADANGEE PTY LTD	4,500,000	5.34

3. VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

Options

There are no voting rights attached to any class of options on issue.

4. NON-MARKETABLE PARCELS

Holdings less than a marketable parcel of fully paid ordinary shares (being 5,263 shares as at 25 September 2026):

Holders	Units
142	287,074

5. EQUITY SECURITIES

Analysis of equity securities on issue and the number of holders by size of holding as at 25 September 2026:

Spread of holdings	Ordinary shares holders	Units	%
1 to 1,000	49	29,235	0.03
1,001 to 5,000	93	257,839	0.29
5,001 to 10,000	173	1,671,845	1.89
10,001 to 100,000	99	3,536,394	3.99
100,001 and over	38	83,131,257	93.80
	<u>452</u>	<u>88,626,570</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>142</u>	<u>287,074</u>	<u>0.32</u>

6. UNQUOTED EQUITY SECURITY HOLDERS

As at 25 September 2026, the following classes of unquoted securities had holders with equal to or more than 20% of that class on issue:

	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

The following persons hold 20% or more of unquoted equity securities:

Name	Number held
FANG YUE - Fully paid ordinary shares	10,200,000
TAIZONG KANG - Fully paid ordinary shares	9,800,000
LODGE CORPORATE SERVICES PTY LTD - Options exercisable at \$0.30 each on or before 28 October 2027	300,000

7. TWENTY LARGEST SHAREHOLDERS

The twenty largest holders of ordinary fully paid shares at 25 September 2026 are set out below:

	Ordinary shares Number held	% of total shares issued
1. FANG YUE	10,200,000	11.51
2. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,000,000	11.28
3. TAIZONG KANG	9,800,000	11.06
4. RENRISE PTY LTD	7,745,000	8.74
5. AUSTRALIAN NATURAL ALLIANCE PTY LTD	5,164,270	5.83
6. DEAKEN & ASSOCIATES PTY LTD	4,997,339	5.64
7. MARTANNMAR PTY LTD	4,508,675	5.09
8. WINGADANGEE PTY LTD	4,500,000	5.08
9. AWN FOOD & FIBRE HOLDINGS PTY LTD	4,000,000	4.51
10. CARRAMELON PTY LTD	3,750,000	4.23
11. HEJAZ ASSET MANAGEMENT PTY LTD <HEJAZ GLOBAL ETHICAL FUND>	3,333,000	3.76
12. WOOLTECH GROUP PTY LTD	3,000,000	3.39
13. 3HJ YUE PTY LTD <3HJ FAMILY A/C>	2,000,000	2.26
14. ZI HUANG	1,500,000	1.69
15. ACLINK CONSULTATION PROMOTION & DISTRIBUTION PTY LTD	1,200,000	1.35
16. GRANNA'S INVESTMENTS PTY LTD <JOHN AND GERRI SUPER A/C>	1,000,000	1.13
16. YUHU SUN & HUI YANG	1,000,000	1.13
17. MR JUNLIN WANG <WANG & YUE FAMILY A/C>	500,000	0.56
17. WOOL & SHE PROPRIETY LIMITED	500,000	0.56
17. BUTTERFLY TRADING PTY LTD	500,000	0.56
18. PURSEGLOVE PTY LTD <PURSEGLOVE SUPER FUND A/C>	390,000	0.44
19. QUPIT PTY LTD	375,183	0.42
20. LODGE CORPORATE SERVICES PTY LTD	300,000	0.34
20. MR EDWARD RICHARDSON PURSEGLOVE	300,000	0.34
	<u>80,563,467</u>	<u>90.90</u>

8. RESTRICTED SECURITIES OR SECURITIES SUBJECT TO VOLUNTARY ESCROW

Class	Expiry date	Number of shares
Fully paid ordinary shares	30 October 2026	20,700,000
Options exercisable at \$0.30 each on or before 28 October 2027	30 October 2026	<u>300,000</u>
		<u>21,000,000</u>

9. ON-MARKET BUY BACK

There is no current on-market buy back.