

Quarterly Report

HIGHLIGHTS

- **Successful IPO and ASX debut in October, raising \$6.35 million to expand production.**
- **New manufacturing, storage and distribution premise secured in Wangara, Western Australia.**
- **Manufacturing capacity tripled, with purchase of new automated Merino wool machines**

Australian Merino wool products company Merino & Co. (ASX:MNC) (“Merino & Co” or the “Company”) is pleased to provide this report on activities for the quarter ending 31 December 2024.

SUCCESSFUL IPO ON AUSTRALIAN SECURITIES EXCHANGE

Merino & Co successfully completed its Initial Public Offering (IPO) during the quarter, and subsequent listing on the Australian Securities Exchange (ASX) on 30 October 2024, marking a defining milestone in the Company’s history.

A total of \$6.35 million was raised during the IPO process, reinforcing the confidence of the market in Merino & Co’s vision for global expansion of the Company’s premium Merino wool products.

The successful listing has allowed the Company to gain valuable press exposure, which included the launch of its online shop in January 2025, and provided the Company with funding necessary to increase its scale.

AUTOMATION TO UPSCALE PRODUCTION

Funds raised during the IPO process were leveraged to secure more than 20 additional machines to swiftly bolster manufacturing and production capabilities at the Company’s West Australian facility.

This includes four automated weaving loom machines, four automated sock knitting and sewing and setting machines, and 15 knitting machines. Payments for machines of \$348,000 and equipment rental payments of \$54,000 were made in the quarter ended 31 December 2024.

The fleet of machinery is expected to arrive and commence operation in February 2025 and is expected to nearly triple the Company’s garment manufacturing capacity.

By incorporating automated machines into the Company’s capabilities, the overall unit cost of production is anticipated to decrease due to limited requirement for human interaction.

As reported earlier in the quarter, Merino & Co continues to identify potential opportunities to further scale manufacturing capabilities as it expands delivery of high-quality merino wool products to new global markets.

Discussions continued during the quarter with potential strategic partners to assist with distribution into target regions, including China.

Quarterly Report

LARGER, LONG-TERM FACILITY SECURED

The Company secured a new long-term lease agreement in November for a manufacturing, storage and distribution facility in Wangara, Western Australia. As announced on 20 November 2024, the annual rent for the facility is \$197,820 plus outgoings and GST with a term of 4 years and an option to renew for a further 5 years.

The total plant area is nearly double the Company's previous facilities, and strategically located near major infrastructure in Perth, including direct transport lines to the State's largest port for importing materials and exporting wool products.

Following the Company's successful listing and execution of the lease agreement of the Wangara facility, the Company has relocated its principal place of business to 4 Quartz Way, Wangara.

FINANCIAL PERFORMANCE

At the end of the quarter the Company had cash at bank of approximately \$3.8 million.

Additional ASX Disclosure Information

ASX Listing Rule 4.7C.1: During the quarter the Company had operating cash outflows of approximately \$2.2m. This reflects both seasonal increases in inventory holdings during the quarter and additional expenditures following the ASX listing.

ASX Listing Rule 4.7C.2: As required the table below details indicative use of funds as per the IPO prospectus and actual expenditure to date (31 December 2024).

	Minimum Subscription	Maximum Subscription	Actual Expenditure to 31 Dec 2024
Use of Funds – Year 1	\$	\$	\$
Expanding production capacity	1,179,900	1,419,900	482,000
Preparing stock for wholesale orders	1,540,000	1,600,000	1,600,000 ¹
Marketing and branding, including for online platforms	483,000	875,000	-
Research & development	350,000	350,000	-
Corporate expenses	534,000	534,000	125,000
Working capital	131,894	466,476	150,000

Quarterly Report

	Minimum Subscription	Maximum Subscription	Actual Expenditure to 31 Dec 2024
Use of Funds – Year 1	\$	\$	\$
Costs of the Offer	654,206	745,706	673,000
Total Funds Allocated – Year 1	4,873,000	5,991,082	3,030,000

¹This reflects the Company's investment in inventory for the upcoming season.

ASX Listing Rule 4.7C.3: As outlined in the attached Appendix 4C (Sections 6.1 and 6.2), the Company paid Directors' salaries/fees including superannuation of approximately \$225,000 during the quarter.

This announcement is approved for release by the Board of Directors.

For further information, please contact:

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ABOUT MERINO & CO.

Merino & Co. is a vertically integrated Company, involving the manufacture, marketing and sale of wool products. The Company has over 600 points of sale spanning across Australia, selling wool clothing and accessories from its own showrooms as well as at duty free shops, airports, boutique shops, tourism sites, and generally via wholesalers and agents. The Company has also been exporting and selling direct to international markets, including China, Japan and North America, where high-quality wool products are in higher demand owing to colder climates.

The Company is a strong advocate of the benefits of wool as a natural fibre and is a strong supporter of the proliferation of more sustainable, renewable and biodegradable products made from environmentally friendly and raw natural materials such as wool, alpaca and possum.

Quarterly Report

FORWARD LOOKING STATEMENTS

This announcement contains certain “forward-looking statements”. Forward looking words such as, “expect”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target” “continue”, “anticipate”, “guidance”, “outlook”, “aim” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

You are cautioned not to place undue reliance on any forward-looking statements regarding our belief, intent or expectations with respect to Merino & Co’s businesses, market conditions and/or results of operations.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Merino & Co. Limited

ABN

74 162 863 121

Quarter ended ("current quarter")

31 December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,181	3,633
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,585)	(3,806)
(c) advertising and marketing	(101)	(295)
(d) leased assets	(54)	(54)
(e) staff costs	(292)	(389)
(f) administration and corporate costs	(181)	(447)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(63)	(109)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – GST and other taxes (paid)/refunded	(89)	(187)
1.9 Net cash from / (used in) operating activities	(2,181)	(1,651)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(348)	(348)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other income	-	-
2.6	Net cash from / (used in) investing activities	(348)	(348)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,354	6,354
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(894)	(894)
3.5	Proceeds from borrowings	-	471
3.6	Repayment of borrowings	(284)	(569)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,176	5,362

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,165	456
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,181)	(1,651)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(348)	(348)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,176	5,362
4.5	Effect of movement in exchange rates on cash held	-	(7)
4.6	Cash and cash equivalents at end of period	3,812	3,812

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,799	1,165
5.2	Call deposits	-	-
5.3	Bank overdrafts	(30)	-
5.4	Other – bank guarantee	43	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,812	1,165

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	225
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p>		
<p>Director's remuneration previously accrued including for the period of 1 October 2024 to 31 December 2024 paid during the quarter.</p>		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	2,403	2,161
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	2,403	2,161
7.5	Unused financing facilities available at quarter end		242
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Two separate loan facilities have been provided to the Company by National Australia Bank:		
	1) A facility of \$403,000 is secured against the property located at 3/82 Christable Way, Landsdale WA 6065. Interest on the facility is charged at 7.754% p.a. At quarter end, the facility has been fully drawn down.		
	2) A further facility of \$2m is secured over the Company's present and future rights, property and undertaking and director personal guarantees. Interest on the facility is charged at 8.2% p.a. with final repayment due in December 2031. At quarter end, \$1.758m of the facility has been drawn down.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,181)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,812
8.3	Unused finance facilities available at quarter end (item 7.5)	242
8.4	Total available funding (item 8.2 + item 8.3)	4,054
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.85
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: No. Expenditure during the December quarter was significantly higher due to seasonal and planned increases in inventory holdings and increased expenditures post ASX listing.	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: Not required per above.	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, based on future cashflow projections.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2025

Authorised by the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.