

1. Company details

Name of entity:	Gale Pacific Limited
ABN:	80 082 263 778
Reporting period:	For the half-year ended 31 December 2025
Previous period:	For the half-year ended 31 December 2024

2. Results for announcement to the market

		% change	\$'000
Revenues from ordinary activities	down	9.5% to	82,031
Loss from ordinary activities after tax attributable to the owners of Gale Pacific Limited	up	235.8% to	(3,261)
Loss for the half-year attributable to the owners of Gale Pacific Limited	up	235.8% to	(3,261)

Please refer to the accompanying Directors' announcement to the Australian Securities Exchange for further commentary.

The loss for the Group after providing for income tax amounted to \$3,261K (31 Dec 2024: loss of \$971K).

3. Dividends

	Amount per security	Percentage franked
Interim dividend for the year ending 30 June 2026	Nil	n/a
Final dividend for the year ending 30 June 2025	Nil	n/a

Previous period

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

4. Net tangible assets

	As at 31 Dec 2025 Cents	As at 30 Jun 2025 Cents	As at 31 Dec 2024 Cents
Net tangible asset per ordinary security ¹	25.60	26.43	29.21

¹ Net tangible assets include the right-of-use assets recognised under AASB 16 Leases.

5. Signed

The financial information provided in Appendix 4D is based on the half year interim financial report attached.
The half year interim financial report has been independently reviewed.
The Independent Auditor's review report contains a paragraph regarding material uncertainty related to going concern.

Signed 

Date: 25 February 2026

David Allman
Chairman
Melbourne, Australia



Gale Pacific Limited

ABN 80 082 263 778

Interim Financial Report - 31 December 2025

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Directors' report	2
Auditor's independence declaration	4
Directors' declaration	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10
Independent auditor's review report to the members of Gale Pacific Limited	19

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The Directors present their report together with the interim financial report of Gale Pacific Limited (the "Company") and its subsidiaries (the "Group"), for the half-year ended 31 December 2025 and independent auditors review report thereon.

Directors

The following persons were Directors of Gale Pacific Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Name	Period of Directorship
Mr. David Allman (<i>Chairman Non Executive</i>)	Director since 17 November 2009
Mr. Peter Landos (Non Executive)	Director since 01 May 2014
Mr. Thomas Stianos (Non Executive)	Director since 17 October 2017
Ms. Donna McMaster (Non Executive)	Director since 29 March 2018

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of marketing, sales, manufacture and distribution of branded screening, architectural shading, commercial agricultural / horticultural fabric products to domestic and global markets.

Dividends

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

Review of operations

The Group recorded a loss after tax of \$3,261K for the half-year (31 December 2024: loss of \$971K). As outlined in the Company's December Quarterly Activity Report and Appendix 4C, revenue for the half was 9.5% lower than the prior corresponding period due to softer U.S. demand and a weather driven slower start to the Australian peak retail season.

Despite this, operating performance improved with H1 EBITDA of \$5.3 million exceeding November guidance, supported by margin improvement initiatives, reduced overheads and restructuring benefits in the U.S. business. Australian Retail margin dollars increased 3.8%, and U.S. margins remained resilient despite tariff uncertainty.

Operating cash flow strengthened significantly to \$15.1 million for the half-year. Net Cash/(Debt) was \$1.9 million at period end. This improvement reflects disciplined cost control, effective working-capital management and the timing of inventory build-up by our U.S. customers.

Strategic initiatives progressed across the half, especially delivering a streamlined U.S. operating model.

Note - In the December Quarterly Activity Report and Appendix 4C, the operating cashflow includes operating lease principal repayments, which in the interim financial report are represented in Cash flows from financing activities in the Consolidated statement of cashflows.

Significant changes in the state of affairs

During the half-year, HSBC agreed to waive the Tangible Net Worth and Fixed Charge Coverage Ratio covenants for the quarters ended 30 September 2025 and 30 June 2025. The Group is also in the process of finalising amendments to its existing facility agreements with HSBC to remove the financial covenants. Apart from these matters, there were no other significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

In January 2026 the Company received a formal waiver from HSBC Australia in relation to the December 2025 covenant testing.

In the FY25 Financial Report, it was noted Gale Pacific USA Inc (controlled entity) had been notified of a regulatory investigation concerning a loan of US\$771,700 obtained in 2020 and subsequently forgiven under the U.S. Small Business Administration's COVID-19 response program. Subsequent to period end, the Company has been formally notified that the action has been dismissed.

No matter or circumstance has arisen since 31 December 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to rounding. Amounts in this report have been rounded in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 immediately follows this report.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read "D. J. Allman", written over a horizontal line.

David Allman
Chairman

25 February 2026
Melbourne

For personal



Shape the future
with confidence

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Auditor's Independence Declaration to the Directors of Gale Pacific Limited

As lead auditor for the review of the half-year financial report of Gale Pacific Limited for the half-year ended 31 December 2025, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Gale Pacific Limited and the entities it controlled during the financial period.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Amy Hudson'.

Amy Hudson
Partner
25 February 2026

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In the Directors' opinion:

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

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read "D. J. Allman", written over a horizontal line.

David Allman
Chairman

25 February 2026
Melbourne

Gale Pacific Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2025



		Consolidated	
	Note	31 Dec 2025 \$'000	31 Dec 2024 \$'000
Revenue			
Sale of goods	3	82,031	90,659
Other income		295	413
Expenses			
Raw materials and consumables used	4	(39,764)	(40,418)
Employee benefits expense		(18,941)	(20,596)
Depreciation and amortisation expense		(5,742)	(5,409)
Marketing and advertising		(1,757)	(1,224)
Occupancy costs		(1,256)	(1,526)
Transport, warehouse and related costs		(5,486)	(6,797)
IT Expenses	4	(2,142)	(5,473)
Other expenses	4	(7,686)	(9,470)
Finance costs		(1,892)	(1,782)
		<u>(2,340)</u>	<u>(1,623)</u>
Loss before income tax (expense)/benefit			
Income tax (expense)/benefit	5	(921)	652
		<u>(3,261)</u>	<u>(971)</u>
Loss after income tax (expense)/benefit for the half-year attributable to the owners of Gale Pacific Limited			
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		106	300
Foreign currency translation		(311)	4,598
		<u>(205)</u>	<u>4,898</u>
Other comprehensive (loss)/income for the half-year, net of tax			
		<u>(3,466)</u>	<u>3,927</u>
Total comprehensive (loss)/income for the half-year attributable to the owners of Gale Pacific Limited			
		Cents	Cents
Basic loss per share	10	(1.15)	(0.34)
Diluted loss per share	10	(1.15)	(0.34)

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

	Consolidated	
Note	31 Dec 2025 \$'000	30 Jun 2025 \$'000
Assets		
Current assets		
Cash and cash equivalents	25,712	18,603
Trade and other receivables	24,181	32,958
Inventories	46,604	51,259
Income tax receivable	304	482
Prepayments	2,841	3,071
Total current assets	99,642	106,373
Non-current assets		
Property, plant and equipment	25,089	26,329
Intangibles	13,964	14,899
Right-of-use assets	21,185	23,947
Deferred tax asset	3,284	4,094
Total non-current assets	63,522	69,269
Total assets	163,164	175,642
Liabilities		
Current liabilities		
Trade and other payables	20,413	23,122
Borrowings	7 23,809	27,463
Lease liabilities	7,289	6,952
Derivative financial instrument - hedges	8 236	388
Current tax liabilities	407	290
Employee benefits	5,054	4,839
Provisions	324	302
Total current liabilities	57,532	63,356
Non-current liabilities		
Lease liabilities	18,489	21,839
Deferred tax liability	193	193
Employee benefits	114	129
Total non-current liabilities	18,796	22,161
Total liabilities	76,328	85,517
Net assets	86,836	90,125
Equity		
Issued capital	63,403	63,403
Reserves	11,061	11,052
Retained profits	12,372	15,670
Total equity	86,836	90,125

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Gale Pacific Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2025



Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2024	63,403	10,917	20,982	95,302
Loss after income tax benefit for the half-year	-	-	(971)	(971)
Other comprehensive income for the half-year, net of tax	-	4,898	-	4,898
Total comprehensive income/(loss) for the half-year	-	4,898	(971)	3,927
Share-based payments (note 11)	-	(259)	-	(259)
Enterprise reserve transfers	-	110	(110)	-
Balance at 31 December 2024	<u>63,403</u>	<u>15,666</u>	<u>19,901</u>	<u>98,970</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2025	63,403	11,052	15,670	90,125
Loss after income tax expense for the half-year	-	-	(3,261)	(3,261)
Other comprehensive loss for the half-year, net of tax	-	(205)	-	(205)
Total comprehensive loss for the half-year	-	(205)	(3,261)	(3,466)
Share-based payments (note 11)	-	177	-	177
Enterprise reserve transfers	-	37	(37)	-
Balance at 31 December 2025	<u>63,403</u>	<u>11,061</u>	<u>12,372</u>	<u>86,836</u>

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

Consolidated
31 Dec 2025 31 Dec 2024
\$'000 \$'000

Cash flows from operating activities

Loss before income tax (expense)/benefit for the half-year	(2,340)	(1,623)
Adjustments for:		
Depreciation and amortisation	5,742	5,409
Share-based payments	177	(259)
Write off of assets	99	-
Foreign currency differences	835	1,757
Interest and other finance costs	1,892	1,782
	6,405	7,066
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	8,467	(3,487)
Decrease/(increase) in inventories	4,141	(11,042)
Decrease in prepayments	187	1,021
Increase/(decrease) in trade and other payables	(2,507)	5,286
Increase/(decrease) in derivative liabilities	(46)	623
Increase in employee benefits	232	403
Increase in other provisions	22	131
Cash generated from operations	16,901	1
Interest and other finance costs paid	(1,892)	(1,782)
Income taxes refunded/(paid)	93	(576)
Net cash from/(used in) operating activities	15,102	(2,357)

Cash flows from investing activities

Payments for property, plant and equipment	(647)	(1,172)
Payments for intangibles	(46)	(430)
Proceeds from disposal of property, plant and equipment	42	30
Net cash used in investing activities	(651)	(1,572)

Cash flows from financing activities

(Repayment)/proceeds from borrowings	(3,539)	76
Repayment of leases	(3,526)	(3,103)
Net cash used in financing activities	(7,065)	(3,027)
Net increase/(decrease) in cash and cash equivalents	7,386	(6,956)
Cash and cash equivalents at the beginning of the financial half-year	18,603	29,169
Effects of exchange rate changes on cash and cash equivalents	(277)	1,222
Cash and cash equivalents at the end of the financial half-year	25,712	23,435

Note 1. General information

The financial report covers Gale Pacific Limited ('Company' or 'parent entity') and its controlled entities (referred to as the 'Group'). The consolidated financial statements are presented in Australian dollars, which is Gale Pacific Limited's functional and presentation currency.

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

145 Woodlands Drive
Braeside, VIC 3195
Australia

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 entity's principal activities are the marketing, sales, manufacture and distribution of branded screening, architectural shading, commercial agricultural / horticultural fabric products to domestic and global markets.

Basis of preparation

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

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Note 1. General information (continued)

Going Concern

The financial statements have been prepared on a going concern basis, which assumes the Group will continue to operate and meet its obligations as and when they fall due.

For the half-year ended 31 December 2025, the Group recorded a net loss after tax of \$3,261K (31 December 2024: \$971K loss) and has a net current asset position of \$42,110K (FY2025: \$43,017K). Current borrowings totalled \$23,809K (FY25: \$27,463K) with cash and cash equivalents totalling \$25,712K (FY25: \$18,603K). Net operating cash inflow for the half-year was \$15,102K, an increase from the \$2,357K outflow reported in prior corresponding period ended 31 December 2024 driven largely by changes in working capital.

As trading conditions in the US remain challenging and new challenges emerge in the Middle East, the Group continues to optimise its operating model, with a particular focus on improving performance in the US market. Good progress has been made towards diversifying the Group's manufacturing footprint to mitigate geopolitical volatility.

As at 31 December 2025 the Group has total financing facilities (based on monthly borrowing base assessments and working capital loan facility limits) comprising multiple facilities with HSBC in Australia, US and China totalling \$46,326K. As at 31 December 2025, these facilities are drawn down to \$23,809K (undrawn in the amount of \$22,517K). The Company had cash and cash equivalents on hand as at 31 December 2025 of \$25,712K, which places the Company in a Net Cash position as at this date.

The Group and HSBC are in the process of finalising amended facilities agreements which, at the Company's request, will reduce the Group's total facility limits by \$5,988k to \$64,148k. The facilities will move to on-demand repayment terms and contain no financial covenant requirements. These facility agreements are expected to be finalised in Late February / early March 2026.

As disclosed in note 7, HSBC formally waived the financial covenants on the Australian facilities for the quarters ended 30 June 2025, 30 September 2025 and 31 December 2025, subject to the execution of the amended facilities agreements by 28 February 2026.

HSBC has formally waived financial covenants on the US facilities for the quarters ended 30 June 2025 and 30 September 2025 and has provided notification of approval to waive covenant tests for the quarter ended 31 December 2025, with the expected formal waiver to be included in the amended US facilities agreement.

The Directors have considered the Group's cash flow forecasts and funding arrangements and believe the going concern basis of preparation remains appropriate based on:

- The continued support of the Group's lender, HSBC, including the successful amendment to the facility terms as described above; and
- The generation of sufficient cashflows from operations to operate within the limits of the Group's financing facilities.

Existence of these events and conditions indicate that a material uncertainty exists in relation to the Group's ability to continue as a going concern, and therefore whether it would be required to realise its assets and liabilities other than in the ordinary course of business, and at amounts that differ to those in this financial report.

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 February 2026.

Note 2. Material accounting policy information

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

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

Note 2. Material accounting policy information (continued)

Where necessary the comparatives have been reclassified for consistency with the current period disclosures.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments identified by geographic location (two anchor markets and developing markets), together with Other items which is related to the Corporate division. These operating segments are based on the internal reports that are reviewed and used by the Group Chief Executive Officer (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The Group operates predominantly in one market segment, being branded shading, screening and home improvement products.

The CODM reviews 'Total revenue' and 'Segment EBITDA' (earnings, before interest, tax, depreciation and amortisation).

Intersegment sales/margin are allocated to external revenue generating segments where the economic benefit is derived.

Central costs and foreign exchange gain/(loss) are reflected under 'Other items'.

The CODM uses this reporting method, to target product costing, product line profitability analysis, customer profitability analysis and service pricing structures.

The operating segments are as follows:

Americas (AMR)	Sales office is located in North Carolina and distribution facilities are located in California and South Carolina (custom window furnishing outsource manufacturing location) which service the North America region.
Australia / New Zealand (ANZ)	Manufacturing and distribution facilities are located in Australia, and distribution facilities are located in New Zealand.
Developing Markets (DEV)	A sales office and distribution facility is located in the United Arab Emirates to service the countries in that region. Additional sales team members located in Europe and Asia are responsible for servicing the applicable countries in their respective geographic area.

'Other Items' represent Corporate, Intersegment eliminations and total net assets of our manufacturing operations in China.

The results from our manufacturing operations in China are allocated to the operating segments of Americas, Australia / New Zealand and Developing Markets.

Discrete financial information about each of these segments is reported on a monthly basis.

Major customers

As at 31 December 2025 approximately 32% (31 December 2024: 39%) of the Group's external revenue was derived from sales to one customer (31 December 2024 : two) located in the ANZ region.

In the prior full-year financial statements (FY25), the Group restated operating segment results, reflecting expanded disclosures covering raw materials and consumables, employee benefits and other expenses by operating segments. For consistency, the comparative information in this report has been restated. No changes to the composition of the operating segments themselves have been made.

Note 3. Operating segments (continued)

Operating segment information

31 Dec 2025	Americas \$'000	Australia / New Zealand \$'000	Developing Markets \$'000	Other Items \$'000	Total \$'000
Revenue					
Sales to external customers	25,148	49,426	7,457	-	82,031
Total revenue	<u>25,148</u>	<u>49,426</u>	<u>7,457</u>	<u>-</u>	<u>82,031</u>
Raw materials and consumables	(12,655)	(24,499)	(2,610)	-	(39,764)
Employee benefits	(7,094)	(7,730)	(1,598)	(2,519)	(18,941)
Other expenses	(4,093)	(7,339)	(639)	(5,033)	(17,104)
Segment trading EBITDA	1,306	9,858	2,610	(7,552)	6,222
FX gain/(loss)	-	-	-	(928)	(928)
Segment EBITDA	<u>1,306</u>	<u>9,858</u>	<u>2,610</u>	<u>(8,480)</u>	<u>5,294</u>
Depreciation and amortisation	(3,079)	(2,392)	(271)	-	(5,742)
Finance costs	(927)	(928)	(37)	-	(1,892)
Profit/(Loss) before income tax	<u>(2,700)</u>	<u>6,538</u>	<u>2,302</u>	<u>(8,480)</u>	<u>(2,340)</u>
Assets					
Segment assets	45,495	62,744	10,949	43,976	163,164
Total assets					<u>163,164</u>
Liabilities					
Segment liabilities	22,783	41,733	1,592	10,220	76,328
Total liabilities					<u>76,328</u>

Note 3. Operating segments (continued)

	Americas (Restated) \$'000	Australia / New Zealand (Restated) \$'000	Developin g Markets (Restated) \$'000	Other Items (Restated) \$'000	Total (Restated) \$'000
31 Dec 2024					
Revenue					
Sales to external customers	31,413	52,257	6,989	-	90,659
Total revenue	<u>31,413</u>	<u>52,257</u>	<u>6,989</u>	<u>-</u>	<u>90,659</u>
Raw materials and consumables	(11,413)	(26,792)	(2,213)	-	(40,418)
Employee benefits	(8,950)	(7,811)	(1,204)	(2,631)	(20,596)
Other expenses	(4,996)	(8,798)	(607)	(7,365)	(21,766)
Segment trading EBITDA	<u>6,054</u>	<u>8,856</u>	<u>2,965</u>	<u>(9,996)</u>	<u>7,879</u>
FX gain/(loss)	-	-	-	(2,311)	(2,311)
Segment EBITDA	<u>6,054</u>	<u>8,856</u>	<u>2,965</u>	<u>(12,307)</u>	<u>5,568</u>
Depreciation and amortisation	(3,117)	(2,075)	(217)	-	(5,409)
Finance costs	(1,061)	(645)	(6)	(70)	(1,782)
Profit/(Loss) before income tax	<u>1,876</u>	<u>6,136</u>	<u>2,742</u>	<u>(12,377)</u>	<u>(1,623)</u>

Consolidated – 30 Jun 2025

Assets					
Segment assets	66,578	52,105	8,022	48,937	175,642
Total assets					<u>175,642</u>
Liabilities					
Segment liabilities	35,286	39,094	1,465	12,672	85,517
Total liabilities					<u>85,517</u>

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Expenses

Raw materials and consumables used

During the period, the Group decreased its provision for impairment by \$591K for inventories (utilisation of \$658K related to sales of provisioned items and additional provision for impairment of \$67K) (31 December 2024 \$209K).

Other expenses

Primarily relates to lower FX losses recognised as at 31 December 2025. During the period, \$164K of debts previously provisioned as at 30 June 2025 was recovered by the Group.

IT Expenses

Primarily relates to non recurrence of D365 implementation costs incurred in the prior corresponding period.

Note 5. Income tax expense/(benefit)

	Consolidated	
	31 Dec 2025 \$'000	31 Dec 2024 \$'000
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax (expense)/benefit	(2,340)	(1,623)
Tax at the statutory tax rate of 30%	(702)	(487)
Brought forward loss recognised in the current period (NZ)	(139)	-
Current period loss not recognised (USA)	1,550	-
Non allowable / (non assessable) items	166	82
Difference in overseas tax rates	46	(247)
Income tax expense/(benefit)	921	(652)

Note 6. Non-current assets - Impairment of non-current assets

Impairment indicators

At 31 December 2025, it was assessed that indicators of impairment existed having regard to:
 - the Group's market capitalisation being lower than the carrying amount of its consolidated net assets
 - the current challenging trading conditions in the USA due to government policy, in particular trade policy

An impairment test was performed to determine the recoverable amounts for the Group's CGUs using the value-in-use method.

Impairment assessment

The Group has determined the value-in-use based on forecasts that have been presented to the Board of Directors over a five-year period, incorporating management's best estimates of future performance, market conditions, and appropriate discount rates with the period extending beyond five years extrapolated using a terminal growth rate of 2.0%.

The assessment did not result in an impairment charge being recognised by the Group as at 31 December 2025.

The impairment assessment indicates that the respective CGUs' recoverable amount exceeded its carrying amount as follows:
 Group level assessment – \$3,200K
 USA CGU assessment – \$11,800K

Other goodwill of \$347K is not significant in comparison to the Group's total carrying amount of goodwill and is allocated across the Group.

Assumptions	2026 %	2026 Break even %	2025 %
Group level impairment assessment			
Discount rate (post tax)	11.75	12.00	11.75
% decrease in revenue	N/A	(0.20)	N/A
USA CGU level impairment assessment			
Discount rate (post tax)	12.00	15.00	12.00
% decrease in revenue	N/A	(2.30)	N/A

Note 7. Current liabilities - borrowings

Consolidated
31 Dec 2025 30 Jun 2025
\$'000 \$'000

Secured Bank loans	23,809	27,463
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The debt facilities in Australia and Americas regions are asset-based revolving credit which enables each of the regions to obtain short-term financing using working capital assets as collateral. The Australian facilities require the Group to repay in full principal balances on a monthly basis. The terms of the US facility requires cash collections from certain receivable balances of the Group to be periodically swept against the loan account for repayment of the loan.

The debt facility in China is a revolving loan facility with land and buildings as collateral. The working capital loan is typically drawn and repaid every 3 months and has a maximum extension of 12 months from the date of drawdown.

The interest rates for each of the loans are obtained from the reference rates using BBSY(AUD), SOFR(USD) and LPR(CNY) based on the loan currency.

Facility Limits are:

Australia: ABL Facility A\$20,000K, date of maturity 3 March 2027

Australia: Capex Facility A\$7,500K, on-demand

USA: Revolving Credit US\$20,000K (A\$29,882K), date of maturity 3 March 2027

China: Working capital Facility: RMB60,000K (A\$12,754K), renewed annually

The availability of the facilities in Australia and USA are subject to the levels of eligible working capital assets available as collateral.

The Group is subject to a Tangible Net Worth covenant and a Fixed Charge Coverage Ratio covenant both of which are subject to testing quarterly. As disclosed in the FY25 Financial Report the Company was in breach of the Tangible Net Worth covenant at 30 June 2025 for which waivers were provided by HSBC during the current reporting period. Prior to both 30 September 2025 and 31 December 2025, the Group determined it would not be in compliance with the Tangible Net Worth covenant or Fixed Charge Coverage Ratio covenant. These financial covenants apply to the total bank loans drawn at 30 September and 31 December 2025 respectively. These expected non-compliances were formally reported to HSBC prior to 30 September 2025 and 31 December 2025 respectively. HSBC formally waived the financial covenants on the Australian facilities for the quarters ended 30 June 2025, 30 September 2025 and 31 December 2025, subject to the execution of the amended facilities agreements by 28 February 2026. HSBC has formally waived financial covenants on the US facilities for the quarters ended 30 June 2025 and 30 September 2025 and has provided notification of approval to waive covenant tests for the quarter ended 31 December 2025, with the expected formal waiver to be included in the amended US facilities agreement. The Company and HSBC are in the process of finalising amended facilities agreements in compliance with the required timing.

As of the date of this report, HSBC has made no demands for the repayment of the borrowings other than in the ordinary course of the facility agreements.

Note 8. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2025

Liabilities

Forward foreign exchange contracts
Total liabilities

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Forward foreign exchange contracts	-	236	-	236
Total liabilities	-	236	-	236

Consolidated - 30 Jun 2025

Liabilities

Forward foreign exchange contracts
Total liabilities

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Forward foreign exchange contracts	-	387	-	387
Total liabilities	-	387	-	387

There were no transfers between levels during the financial half-year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Fair value changes on the cashflow forward exchange contracts (AUD/USD) of \$106k (31 December 2024: \$300k) have been recognised in equity.

Note 9. Related party transactions

Parent entity

Gale Pacific Limited is the parent entity.

Transactions with related parties

There were no transactions with non-KMP related parties and the nature of transactions with KMPs are consistent with that disclosed in the reporting period ended 30 June 2025.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 10. Earnings per share

	Consolidated	
	31 Dec 2025 \$'000	31 Dec 2024 \$'000
Loss after income tax attributable to the owners of Gale Pacific Limited	(3,261)	(971)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	284,637,642	284,014,642
Weighted average number of ordinary shares used in calculating diluted earnings per share	284,637,642	284,014,642
	Cents	Cents
Basic loss per share	(1.15)	(0.34)
Diluted loss per share	(1.15)	(0.34)

Note 11. Share-based payments

In this reporting period, no new performance rights were granted under the Group's long term incentive plan.

Summary of performance rights as at 31 December 2025

Type of rights	Grant Date	Fair Value
Senior executive scheme	18/12/2023	\$0.16
Senior executive scheme	20/12/2024	\$0.11

Total expense of \$177K (31 December 2024: \$30K) was recognised for a long term incentive plan that was approved but not yet granted at the reporting period.

Set out below is the movement summary of the outstanding rights during the half-year reporting period ended 31 December 2025:

	Number of rights 31 Dec 2025	Weighted average fair value per right 31 Dec 2025	Number of rights 31 Dec 2024	Weighted average fair value per right 31 Dec 2024
Outstanding at the beginning of the financial half-year	12,278,000	\$0.14	14,109,000	\$0.19
Granted - Senior executive scheme	-	\$0.00	9,165,000	\$0.11
Forfeited	(1,451,000)	\$0.24	(7,834,000)	\$0.19
Outstanding at the end of the financial half-year	<u>10,827,000</u>	\$0.13	<u>15,440,000</u>	\$0.14

Note 12. Events occurring after reporting date

In January 2026 the Company received a formal waiver from HSBC Australia in relation to the December 2025 covenant testing.

In the FY25 Financial Report, it was noted Gale Pacific USA Inc (controlled entity) had been notified of a regulatory investigation concerning a loan of US\$771,700 obtained in 2020 and subsequently forgiven under the U.S. Small Business Administration's COVID-19 response program. Subsequent to period end, the Company has been formally notified that the action has been dismissed.

There are no other matters or circumstances, other than those disclosed elsewhere in this interim financial report, that have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.



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Independent Auditor's Review Report to the Members of Gale Pacific Limited

Conclusion

We have reviewed the accompanying half-year financial report of Gale Pacific Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, explanatory notes and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 reviews of the half-year financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

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



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Auditor's responsibilities for the review of the half-year financial report

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

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

A handwritten signature in grey ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in grey ink that reads 'Amy Hudson'.

Amy Hudson
Partner
Melbourne
25 February 2026

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